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**BLUE SKY LAWS**

BY

**MONTGOMERY ROLLINS**

REVISED EDITION

With a discussion of the Decisions of the Courts  
Concerning Blue Sky Laws

BY

**SAMUEL SPRING**

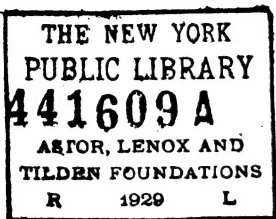
*of the Boston Bar*

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## FOREWORD

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In putting out this revised edition of the Blue Sky Laws, every effort has been made to meet the needs and convenience of the bond and stock and banking profession as well as of members of the bar. To this end the book has been made as brief and terse as possible and the material has been arranged carefully with an eye for convenience. This is a day of overlong, burdensome law books, yet brevity remains a virtue as of old. For this reason the regulations of the various state commissions dealing with the enforcement of blue sky legislation and the forms used in making application for license have been omitted. These regulations and forms are based upon the acts contained herein but are subject to constant change. Time will be saved and expense awarded if those who desire to sell securities in any of the various states will apply directly to the Secretary of State at the State Capitol for a copy of the regulations and blanks. Such a request will be complied with

## Foreword

promptly, for the State Commissions are anxious to make the enforcement of the blue sky laws as easy as possible. Indeed an effort to proceed without this prior request will often result in a waste of time and effort since the rules and requisites of the state authorities are precise and sharp and any failure to comply therewith because of change may result in a returned application.

The various laws are set out in full except that for purposes of convenience and brevity obvious abbreviation have been used for such words as corporation, assessments, etc. By the loose-leaf system the laws of the various states will be kept strictly up-to-date and thus the book will be serviceable at all times.

SAMUEL SPRING.

Boston, Mass.

October 30, 1919.



## **DECISION OF THE COURTS CONCERNING BLUE SKY LAWS**

By **SAMUEL SPRING**, of the Boston Bar

### **Section I. History of Blue-Sky Legislation**

The history of blue sky legislation is an interesting episode in our judicial and financial experience. The lower Federal Courts have been almost as insistent in declaring blue sky laws unconstitutional as state legislatures have been in enacting them. Now that the Supreme Court of the United States has, in a series of sweeping decisions, established the constitutional validity of blue sky laws, summarily overturning the views of the lower Federal Courts, the episode can be deemed closed. Yet the question of the efficacy of such legislation will not be determined until a longer time has elapsed for the enforcement of these laws. Is the Kansas theory or the English theory more in accord with the facts of human experience?

For our blue sky laws originated in Kansas where the first law of this nature was passed in 1911.<sup>1</sup> Kansas

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1. Laws 1911, Ch. 133; amd. 1913.

with its fertile soil and agricultural population, as a Canadian writer has put it<sup>2</sup>, "was the hunting ground of promoters of fraudulent enterprises." The dishonest schemes became so brazen that it was commonly felt that such financial adventurers would gladly undertake the sale of farms in fee simple situated in the blue sky. At any rate these schemers became known as blue sky merchants and the legislation designed to exile them thus was called Blue Sky Laws. It is interesting to note that in 1912 the Province of Manitoba enacted verbatim the Kansas Law of 1911.<sup>3</sup>

As early as 1894 England undertook an investigation of the problem of eliminating fraudulent financial promotions. A Royal Commission including in its membership such able men as Lord Davey and Sir Joseph Chitty, made an exhaustive review of the situation and in 1895 filed its report. The attitude of the Commission was adverse to legislation involving a Governmental examination of all promotion schemes and the determination by govern-

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2. 36 Canadian Law Times 37.

3. 2 Geo. v. Ch. 75. The sales of shares Act R. S. M. 1913, Ch. 175.

mental officials of what securities could or could not be sold—the theory of blue sky legislation. The Commission felt that such a policy was expensive, beaureaucratic, and ineffective—but mainly that it tended to relieve the individual of a responsibility which he alone should assume and thus resulted in paternalism. The views of this commission were urged upon the Supreme Court of the United States without avail in the case of *Merrick v. Halsey & Co.*<sup>4</sup> The remedy suggested was a law requiring the filing of full reports and statements particularly annual reports, so that investors had the means of ascertaining the facts themselves. Such a law was passed in 1900, amended in 1907, and incorporated finally in the Companies Consolidation Act, 1908.<sup>5</sup> Canada has generally followed this legislation, Ontario, British Columbia, Saskatchewan, Alberta and Yukon enacting such laws.

**SEC. 2. The purpose of Blue Sky Laws.** The evil sought to be

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4. 242 U. S. 568; 61 L. Ed. 498; 37 S. Ct. 227 (1917).

5. 8 Edw. 7, C. 69.

checked by blue sky laws and the English acts is a broad one. In the guise of watered stock it has become one of the economic and social issues of American politics. Blue sky legislation aims largely to reach the smaller, bare-faced schemer who seeks out the ignorant, and thus is designed, as one court<sup>6</sup> has put it, "to stop the sale of stock in fly-by-night concerns, visionary oil wells, distant gold mines and other like fraudulent exploitations." Obviously such a law could not prevent the looting of some of our large rail road systems and enterprises—for example the Rock Island and New Haven systems—as the Interstate Commerce Commission has found has taken place. Blue sky laws are in essence merely an application of the principle which the leading stock exchanges apply of excluding all stocks which are not *prima facie* sound and honest. How far such laws will succeed only the future can tell. Obviously they will not solve the entire problem.

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6. *Ala. and N. O. Transp. Co. v. Doyle* (1914) 210 Fed. Rep. 173. For an interesting discussion of this case see note 27 Harvard Law Review 741-743.

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**SEC. 3.** The decisions of the lower Federal and State courts. Up to the time of the decisions of the Supreme Court of the United States upholding blue sky legislation six lower Federal Courts had held such laws unconstitutional and only one federal decision had upheld such laws. The first decision was that of three Federal Judges in Alabama and *N. O. Transp. Co. v. Doyle*<sup>7</sup> where the first of the Michigan Blue Sky Laws was held unconstitutional. This decision carried great weight with the Bench and at once became the leading case on the subject. The court in a per curiam decision held in this case that the law deprived the plaintiff of property and the liberty of contract to a degree which was not justified by the police power, since all securities, honest and fraudulent, were subjected to rigid investigations, and because, during the thirty day period set aside for inspection, the securities being investigated could not be sold, and also because the act imposed a direct and substantial burden on interstate commerce. A few months before this

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<sup>7</sup> *Ala. and N. O. Transp. Co. v. Doyle*  
(1914) 210 Fed. Rep. 173.

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decision the Supreme Court of Arkansas<sup>8</sup> had upheld the Arkansas building and loan society Act as a valid exercise of the police power in restraining the freedom of contract. The Federal Courts likewise held this act constitutional.<sup>9</sup> The Supreme Court of Florida<sup>10</sup> soon after upheld the Blue Sky Law of Florida which it held applied solely to corporations, and argued that since a state could exclude foreign corporations, it could freely regulate them. The Court however, relied more on the ground that the act was within the police power, was not a burden on interstate commerce and that the powers conferred upon the comptroller were administrative and not judicial, than it did upon the limitation of the act to corporations. It was the later decisions of the Federal Courts which laid stress upon the fact that the Florida Law, since it applied only to corporations, was distinguishable.

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8. *Mechanics Bldg. and Loan Assoc. v. Coffman* (1913) 110 Arkansas 269; 162 S. W. 1090.

9. *Standard Home Co. v. Davis* (1914) 217 Fed. Rep. 904.

10. *Ex parte Taylor* (1914) 68 Florida 61; 66 So. 292.

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Then three Federal Judges in *Compton v. Allen*<sup>11</sup> roughly held the Iowa Blue Sky Law unconstitutional and a few months thereafter the West Virginia Blue Sky Law, Judge Woods dissenting, in *Bracey v. Darst*<sup>12</sup> was likewise held unconstitutional, the court relying entirely upon the decision in Alabama and N. O. Transp. Co.<sup>13</sup> The Oregon Blue Sky Law was next assailed in *National Mercantile Co. v. Watson*<sup>14</sup> but the court there held that since the petitioner was a Canadian Corporation and had not complied with the law as to foreign corporations it could not do business in Oregon, hence had no standing in court and that it could not assail the validity of the Oregon Law. In *McKinney v. Watson*<sup>15</sup> the Oregon Law was attacked as unconstitutional by a tax-payer who sought to enjoin its enforcement on the ground that if the invalid law were enforced his tax rate would be improperly advanced. This Court likewise avoided the question by holding that since the act provided for the

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11. 216 Fed. Rep. 537 (1914).

12. 218 Fed. Rep. 482 (1914).

13. 210 Fed. Rep. 173 (1914).

14. 215 Fed. Rep. 929.

15. 74 Oregon 220. 145 Pac. 266 (1915).

collection of revenue, it did not appear that the petitioner's tax rate would be increased and the question as to the constitutional validity of the act was purely a moot question. In *State v. Schofield*<sup>16</sup> the Supreme Court of Louisiana held that the Louisiana Act licensing itinerant agents selling stocks and bonds was an exercise of the taxing not the police power, and, since not unlawfully oppressive or a burden on interstate commerce, it must be upheld. In *State v. Cadigan*<sup>17</sup> the Supreme Court of Vermont held that the laws of that State which required firms and partnerships as well as corporations, organized under the laws of other states to meet regulations not imposed upon firms and partnerships organized under the laws of Vermont might result in a distinction between the citizens of Vermont and of other states and so was invalid under the Federal Constitution. In *National Mercantile Co. v. Keating*<sup>18</sup> the district court held that since the petitioner, a Canadian corporation, was "designed to profit its owners at the

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16. 136 Louisiana 702, 67 So. 557 (1915).

17. 73 Vermont 245, 50 Atl. 1079 (1901).

18. 218 Fed. 477.



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expense of victims enticed by pseudo promises and deceptive promises" it did not come into equity with clean hands and so could not seek to enjoin the enforcement of the Montana Blue Sky Law as unconstitutional. In *National Mercantile Co. v. Watson*<sup>19</sup> where the same corporation was before the court in Oregon the court held that "from a cursory examination of the scheme . . . . we are not at all persuaded that it is not engaged in a fraudulent business." The Supreme Court of North Carolina in *State v. Agey*<sup>20</sup> upheld the blue sky law of that state as a valid exercise of the police power. Immediately thereafter, however, three Federal decisions, in each case by three judges, held the blue sky laws of Ohio,<sup>21</sup> of South Dakota<sup>22</sup> and of Michigan<sup>23</sup> invalid on the grounds assigned in *Alabama and N. O. Transp. Co.*<sup>24</sup> and in express reliance upon

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19. 218 Fed. Rep. 477 (1914).

20. 171 N. C. 831, 88 S. E. 726 (1916).

21. *Hall v. Goger-Jones Co.* 230 Fed. 233.  
For a discussion of the Ohio Blue Sky Law see C. D. Laylin in 15 Mich. Law Review 369.

22. *Caldwell v. Sioux Falls Stockyards Co.*, 230 Fed. 236.

23. *Merrick v. N. W. Halsey & Co.*, 228 Fed. 236.

24. 210 Fed. Rep. 173 (1914).

that decision. It was felt that this accord in the views of the lower Federal Courts indicated an affirmance of these decisions by the Supreme Court and this episode as to our blue sky laws seemed ended. One writer complained about the woodenness of our constitution<sup>25</sup> another, stating that "as yet the Supreme Court of the United States has not passed upon the constitutionality of the blue sky legislation, but there seems no reason to believe that when it does, it will reverse the well-considered and logically developed decisions of the lower Federal Courts," set out to indicate how the legislation of the various states would have to be softened and pared down in order to conform with the constitution.<sup>26</sup>

**SEC. 4. The Decisions of the Supreme Court of the United States.** But the Supreme Court of the United States, with only a notation of the dissent of Justice McReynolds, firmly upheld the blue sky

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25. See note 2 Va. Law Review (N. S.) 146 (1916).

26. L. J. Perrin Blue Sky Laws 10 Bench and Bar (N. S.) 483-497 but see an "apologia" 12 Bench and Bar (N. S.) 1917.

laws of Ohio,<sup>27</sup> South Dakota,<sup>28</sup> and the amended blue sky laws of Michigan,<sup>29</sup> in three firm though not markedly illuminating decisions by Mr. Justice McKenna. These decisions evidently establish the validity of all blue sky legislation since they are based on broad conclusions<sup>30</sup>. Thus the liberalizing influence of the Supreme Court and the limiting of constitutional doctrines is once more apparent.

The Supreme Court of the United States met the arguments advanced by the lower Federal Courts rather sharply. It held that although blue sky laws do limit the freedom of contract, such limitation was valid under the police power which the court termed "the least limitable of the exercises of Government." In deter-

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27. *Hall v. Geiger-Jones Co.* 242 U. S. 539; 37 Sup. Ct. 217; 61 L. Ed. 480 (1917).

28. *Caldwell v. Sioux Falls Stockyards Co.* 242 U. S. 539; 37 S. Ct. 224; 61 L. Ed. 493.

29. *Merrick v. N. W. Halsey & Co.* 242 U. S. 568; 37 Sup. Ct. 227; 61 L. Ed. 498.

30. For a discussion of the Minnesota laws in the light of these decisions see an interesting and able article by Montreville J. Brown in 3 *Minnesota Law Review* 149.

mining the question whether blue sky legislation exceeds the police power and thus violates the fourteenth amendment, the court approached the question with a liberal attitude of mind reminding those who assailed the law that it was "addressed to a complex situation," and, therefore, must be looked at broadly. The fact that such blue sky laws might limit the earning of a livelihood, an argument upon which counsel relied with great vigor, the court held was of little concern, stating that nothing was commoner than such a limitation under the police power. Nor did the court linger over the question as to whether or not blue sky legislation would effect the purpose for which it was enacted, simply stating that such considerations were for the legislature and not for the courts. Counsel had convinced the lower Federal Courts that the blue sky law placed a burden upon the great majority of honest transactions and that, since the investment business could not be prohibited, such onerous regulation was invalid. To this, the Supreme Court replied that the burden placed upon the entire investment

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business in order to sift out the fraudulent enterprises was a necessary incident of Government, and that it did not follow in the least, that since the sale of securities could not be prohibited, it could not be vigorously regulated. Mr. Justice McKenna said tersely "expenses may thereby be caused, and inconvenience, but to arrest the power of the state by such considerations would make it impotent to discharge its functions. It costs something to be governed."

It was further held by the Supreme Court that just as the law could prevent fraud in the sale of foods<sup>31</sup> so it could in the sale of securities. In order to carry out this purpose it was necessary to lodge wide powers in an executive officer. The mere fact that such executive officer had the power to bar a vendor of securities, if his reputation was bad, was not a valid argument against the act because there was nothing recondite in a business reputation, which such an officer could not pass upon, and since an executive officer, subject to judicial

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31. *Hutchinson Ice Cream Co. v. Iowa* -  
242 U. S. 153, 61 L. Ed. 217, 37  
Sup. Ct. Rep. 28.

review, will be deemed to do his duty, the possibility of his exercising his power in an arbitrary manner would not of itself be sufficient to render the power vested in him void. The court also held that the act in empowering the commissioner to discriminate in favor of securities listed in standard manuals of investment, did not establish an unreasonable distinction.

On the question as to whether or not blue sky legislation is a direct burden on interstate commerce, the Court found more difficulty and pursued its way warily. The court refused to follow the doctrine of *Paul v. Virginia*,<sup>32</sup> and held that the sale of intangible securities, unlike the sale of insurance policies, was interstate commerce, and that Congress, therefore, was supreme. Mr. Justice McKenna then outlined the accepted doctrine that although the inaction of Congress on matters involving interstate commerce might imply an inhibition of state action, nevertheless where state legislation only imposes an indirect burden, the state is free to act until Congress

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32. *Paul v. Virginia*, 8 Wall. 168; *N. Y. Life Insurance Co. v. Deer Lodge Co.* 231 U. S. 495.

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itself intervenes. The Court held that blue sky legislation did not necessarily prohibit the importation of intangible securities, but merely regulated those intangible securities within the state. The court declined to decide the novel question as to when intangible securities bought within the state cease to be in interstate commerce. It expressed some difficulty in applying the doctrine of the original package as applied to tangible objects, and held that these questions need not be decided because here the burden on interstate commerce was only indirect. The discussion of Mr. Justice McKenna on this point is significant and indicates a neat question which will have to be decided at no remote time.

“We might indeed, ask, When do the designated securities cease migration in interstate commerce and settle to the jurisdiction of the state? Material things, choses in possession, pass out of interstate commerce when they emerge from the original package. Do choses in action have a longer immunity? It is to be remembered that though they may differ in manner of transfer, they are in the same form in the hands of the purchaser as they are in the hands of the seller, and in the hands of both

as they are brought into the state. We ask again, Do they never pass out of interstate commerce? Have they always the freedom of the state? Is there no point of time at which the state can expose the evil that they may mask? Is anything more necessary for the supremacy of the national power than that they be kept free when in actual transportation, subjected to the jurisdiction of the state only when they are attempted to be sold to the individual purchaser? The questions are pertinent, the answer to them one way or the other, of consequence; but we may pass them, for, regarding the securities as still in interstate commerce after their transportation to the state is ended and they have reached the hands of dealers in them, their interstate character is only incidentally affected by the statute."<sup>33</sup>

**SEC. 5. The Future.** Thus blue sky legislation is firmly established in the United States.<sup>34</sup> Purely a Western doctrine originating in Kansas, it has spread to the great majority of the states of the Union. Maine was the only eastern state which

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33. *Hall v. Geiger-Jones Co.* 242 U. S. 539; 37 Sup. Ct. 217; 61 L. Ed. 480 (1917).

34. For a discussion of blue sky decisions see note, L. R. A. 1917 F., and American and English Anno. Cases 1916 A., p. 701.



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for many years enacted such legislation, although Connecticut, at an early date, adopted rigid laws affecting mining companies. Even to-day the doctrine is most firmly planted in the West and South. How far blue sky legislation will be effective in stamping out the evils which all citizens desire to oppress, only the future can tell. At any event, due to the open-minded attitude of the Supreme Court of the United States, no restriction will be put upon the various states in enforcing such legislation in the hope that it will end the day of the Blue Sky Merchant.







## ALABAMA.

## Act of 1919.

Section 1. There is hereby created The State Securities Commission, to be composed of the State Superintendent of Banks, the Attorney-General, and the State Commissioner of Insurance, of which commission, the State Superintendent of Banks shall be the President, and the Attorney-General shall be the Secretary. The commission shall have its office in the office of the State Superintendent of Banks, and the members thereof shall serve without additional compensation.

Section 2. The term "securities" as used in this Act shall be taken to mean stock certificates, shares, bonds, debentures, certificates of participation, contracts, contracts or bonds for the sale and conveyance of land on deferred payments or installment plan, or other instrument in the nature thereof by whatsoever name known and called. The term "speculative securities" as used in this act shall be taken to mean and include : (1) All securities to promote or induce a sale of which, profit, gain or advantage, unusual in the ordinary course of legitimate business, is in any way advertised or promised; (2) All securities for promoting a five per cent, is offered or paid; (3) all sale of which a commission of more than securities into the specified par value of which the element of chance or hazard, or speculative profit, or possible loss equals or predominates over the element of reasonable certainty, safety and investment; (4) All securities, the value of which materially depends on proposed or promised future promotion or development rather than upon present tangible assets or conditions; (5) All securities of any enterprise, association, partnership or cor-

poration, which has included or proposes to include in its assets as a material part thereof patents, formulae, good-will, promotion of any intangible assets, or which has issued or proposes to issue a material part of the securities in payment for formulae patents, good-will, promotion or intangible assets; (6) All securities made or issued in furtherance or promotion of any enterprise or scheme for the sale of unimproved or undeveloped land on any deferred payment or installment plan, when such lands are not situated in the State of Alabama; (7) Any undivided interest or certificate of participation based on any undivided interest in oil royalties or oil leases, where the value of such undivided interest or certificate of participation materially depends on proposed or promised future development; Provided, that this act shall not apply to undivided interests or certificates based upon undivided oil royalties interests or in oil leases where the interest or certificate based upon such interest offered for sale or sold to any one purchaser exceeds one-twenty-fifth of the whole royalty or oil lease; (8) Securities made or offered issued or used in furtherance or promotion of any enterprise or scheme where the value of such securities materially depends on the performance of any stipulation or agreement by the promoter or others to furnish any facility, service, utility or improvement. The term "speculative enterprise" as used in this act shall be taken to mean any business undertaking, venture or activity for the promotion or furtherance of which speculative securities as herein defined are made, issued, sold or offered for sale.

Section 3. It shall be unlawful hereafter for any person, co-partnership, association or corporation (hereinafter called the promoter), either as principal or through brokers or agents, or for any broker, agent or other person, to sell or offer for sale

in this State by means of any advertisement, circulars or prospectus, or by any other form of public offering, any speculative securities unless the first shall have been filed with the Superintendent of Banks and approved by him: (1) A copy of the securities so to be promoted; (2) A statement of substantial detail of the assets and liabilities of the person or company making and issuing such securities and of any person or company guaranteeing the same, including specifically the total amount of such securities and of any securities prior thereto in interest or lien authorized or issued by any such person or company; (3) the name of the fiscal agent, if any, who it is proposed shall handle the sale of such proposed securities, together with a statement of the financial standing of such fiscal agent; (4) if such securities are secured by mortgage or other lien, a copy of such mortgage or of the instrument creating such lien and a complete appraisal or valuation of the property covered thereby, with a specified statement of all prior liens thereon, if any; (5) a full statement of facts showing the gross and net earnings, actual or estimated, of any person or company making and issuing or guaranteeing such securities, or of any property covered by any such mortgage or lien; (6) all knowledge or information in the possession of such promoter relative to the character or value of such securities, or of the property or earning power of the person or company making and issuing or guaranteeing the same; (7) a copy of any general or public prospectus or advertising matter which is to be used in connection with such promotion, and no such prospectus or advertising matter shall be used unless the same has been filed [as] herein provided; (8) the names, addresses and selling territory in this state of any agents by or through whom any such securities are to be sold, and no such agents shall be employed un-

less such statement with respect to them has been filed hereunder, and there shall be paid to the Superintendent of Banks a registration fee of one dollar for each such agent. The payment of such fee shall be payment in full for all fees for registration of such agent until and including the first day of March next following; (9) the name and address of such promoter including the names and addresses of all partners, if the promoter be a partnership, and the names and addresses of the directors or trustees and of any person owning ten per centum, or more, of the capitol stock, if the promoter be a corporation or association; (10) A statement showing in detail the plan on which the business or enterprise is to be conducted; (11) the articles of co-partnership or association, and all other papers pertaining to its organization, if the securities be insured or guaranteed by a co-partnership or unincorporated association; (12) a copy of its charter and by-laws if the securities be issued or guaranteed by a corporation; (13) a filing fee of twenty-five dollars; and in no event shall any speculative securities be sold or offered for sale until a permit shall have been issued as hereinafter provided; Provided, however, that no permit shall be granted, as hereinafter provided, unless there shall appear upon the subscription lists and contracts of such corporation, proposed corporation, co-partnership or unincorporated association, in bold type, the amount of the commissions, promotion fees and other estimated expenses incident to the sale of such stock, and the interest which the officer, agent, employee or promoter selling or contracting to sell such stock has in such sale; nor shall such permit be granted until the applicant or applicants therefor have entered into a bond for not less than one thousand dollars (\$1,000) nor more than one hundred thousand dollars (\$100,000), the same to be fixed by the Superin-



tendent of Banks at not more than ten per cent of the stock proposed to be issued. The said bonds shall be payable to the State of Alabama, and be conditioned upon the truth of the statements set forth in the application for such permit, and of the evidence and other probative matter offered to the State official or officials, and upon which the application is based, and upon compliance with the provisions of this act in the sale of the stock of such corporation, proposed corporation, partnership or unincorporated association. Said bond must be made with a surety company authorized to do business in the State of Alabama, and the bond shall be approved by the Superintendent of Banks. Any person who shall be induced to purchase any stock of any corporation, proposed corporation, co-partnership, or unincorporated association by reason of any misrepresentation or concealment of any material facts concerning such stock, shall have the right to bring suit upon the bond hereinabove provided for, and such bond shall stand as security and indemnity for such person so purchasing the stock, provided that such person or persons shall not be entitled to recover more than the money paid, or the actual value of the property given, or the labor performed, in exchange for such stock, with legal interest from the date of the payment or the performance of the services, or the transfer of the property. One or more recoveries upon such bond shall not vitiate the same, but it shall remain in full force and effect, but no recoveries upon such bond shall ever exceed the full amount of same, and upon suits being filed in excess of the amount of same, the Superintendent of Banks may require a new bond, and if the same is not given within thirty days, he may cancel the permit herein provided for. Whenever any permit has been issued, the corporation, co-partnership or unincorporated association or person receiving the

same shall file a list of the names of their or its authorized officers, agents or employes, and the post office address of each, and in case of the change of any of its officers, agents or employes, or of their post office address, it shall file a list of such changes with the Superintendent of Banks.

Section 4. Every foreign corporation before selling or offering for sale any speculative securities, in this state shall also file its written consent, irrevocable, that actions may be commenced against it in the proper courts of any county in this State in which a cause of action may arise, by the service of process on the Attorney-General, and stipulating and agreeing that such service of process on the Attorney-General shall be taken and held in all courts, to be as valid and binding as if due service had been made upon the company itself, according to the laws of this or any other state, and such instrument shall be authenticated by the seal of said foreign corporation, and shall be accompanied by a duly certified copy of the order or resolution of the board of directors, trustees or managers of the corporation authorizing the said secretary and president to execute the same.

Section 5. It shall be the duty of the Superintendent of Banks as soon as practicable to examine the statements and documents so filed, and if said Superintendent shall deem it advisable, he shall make, or have made, a detailed inspection, examination, audit or investigation of the affairs of the makers or guarantors of such security, which inspection, examination, audit and investigation shall be at the promoter's expense, and the said Superintendent shall have power and authority to call upon the makers or guarantors of such securities, or the person seeking to offer or offering the same for sale, for such information as he may deem necessary, and a failure on the part of the person or persons so re-

requested for information to furnish the same within the time prescribed by the Superintendent, not exceeding three months, shall be considered as a withdrawal of the application for permission to sell or advertise such securities. As a part of the aforesaid inspection, examination, audit and investigation, the Superintendent of Banks shall cause an appraisal to be made of the property of the makers or guarantors of such securities, which appraisal shall include the value of patents, formulæ, good-will, promotion and intangible assets, if any, and said Superintendent shall furnish a complete statement, and record of his inspection, examination and investigation, together with a copy of the appraisal aforesaid, to the State Securities Commission hereby created. The appraisal hereinbefore provided for shall be made either by the Superintendent of Banks in person or by assistant appraisers and said superintendent, if necessary, may appoint appraisers, not to exceed three in number, to make such appraisal, and such appraisers shall receive as compensation for their services a sum not to exceed fifteen dollars per day for the time actually employed in such examination and appraisal and necessary expenses actually incurred, which compensation and expenses shall be paid by the persons, company, partnership or association making application to such State Securities Commission. The State Securities Commission shall within ten days after the Superintendent of Banks has made his report to it and has filed with the secretary of the said commission a copy of the appraisal as here-in-before provided for, examine such statement, report and appraisal and shall give the promoter a hearing, if he so desires, and said State Securities Commission shall have power to investigate the personnel of the agent or agents through whom or by whom said securities are to be handled or sold. If the Commission shall

report favorably to the promoter it shall direct the Superintendent of Banks to issue a permit authorizing the sale of such securities, which permit may be revoked at any time by the said State Securities Commission upon complaint made and after hearing as herein set out: Provided, that whenever the company making and issuing such securities or the company guaranteeing the same is a company whose business is under the supervision or control of one of the State Departments, said permit shall not be effected until the same shall have been approved by the head of such State Department; Provided, further, that upon complaint or objection as to the issuance of the permit being made to the Superintendent of Banks or to the State Securities Commission and upon notice being given to the Superintendent of Banks of such complaint or objection, said Superintendent may forthwith suspend the order granting the permit pending a final hearing, and during such suspension no securities shall be sold or offered for sale. It shall be the duty of Superintendent of Banks upon issuing the order of suspension forthwith to notify the promoter or parties affected by such order and to set a time and place for the hearing of such complaint by the said State Securities Commission, which hearing shall not be later than thirty days from the date of said order of suspension. It shall be sufficient notice to the promoter or parties interested in the complaint and in the order of suspension, if the Superintendent of Banks shall mail such notice to the address of such promoter or parties interested as furnished at the time of the filing of the application. If the State Securities Commission, upon a full hearing, shall find that there are just grounds for the complaint made and that the promoter, agents or other parties connected with the sale of the securities as representatives of the promoter have violated any of the provisions

of this Act, or the orders of the State Securities Commission, or of the Superintendent of Banks made under the provisions of this Act, and within the scope thereof, said State Securities Commission shall make an order cancelling the permit hereinbefore granted. The said State Securities Commission at the time of granting of the permit as herein provided shall determine and fix the maximum amount that may be paid as and in the way of a commission for the sale of such securities, which amount shall include the cost of advertising, office expenses and all other expenses connected with the sale of such securities; Provided; that no permit as herein set out shall be granted by the said State Securities Commission for the sale of any securities where such securities are to be sold and handled on commission or for a consideration by any officer or director of the company handling such securities for sale or by any officer or director of the company issuing or guaranteeing the same. And provided further that before any permit shall issue by the Superintendent of Banks under the order of the State Securities Commission as herein provided, all stock or securities of any kind issued or to be issued in payment of property, patents, formulæ, good-will, promotion or intangible assets, shall be deposited by the person to whom they are to be issued, or by the company or promoter issuing them, with the Superintendent of Banks of the State of Alabama, to be held by him until the securities for the sale of which the permit has been granted shall have been sold, and until there shall have been filed with the Superintendent of Banks a statement under oath by the proper officer of any company or by the promoter, showing that the requirements made by the said State Securities Commission or by the Superintendent of Banks have been made met; that the securities have been sold only in the way provided

for in this Act; and that there has been a full compliance with the provisions of this act and with the orders of the Superintendent of Banks or the State Securities Commission, or both; and if it shall appear and the board shall find that said statements are true and that there is no further reason why such promoter or company should continue under the control of the said Superintendent of Banks, or State Securities Commission, or both, and that no good purpose would be served by said promoter or company remaining under the control of said State Securities Commission, or Superintendent of Banks, or both, said State Securities Commission shall make an order cancelling the permit theretofore issued and permitting the withdrawal of the securities held in escrow and their return to the parties depositing the same, and no assignment or transfer of such securities in escrow shall be binding upon the Superintendent of Banks unless approved by the said State Securities Commission.

Section 6. If the State Securities Commission, from the statements, papers and documents on file, and from the investigation, appraisal and report of the Superintendent of Banks, and from evidence furnished, or from its own investigation, shall find, (1) that the makers or guarantors of such securities are insolvent, or are in failing circumstances, or are not trustworthy; (2) that the promoter's plan of business is unfair, inequitable, dishonest or fraudulent; (3) that the promoter's plan of business does not adequately secure investors against the unlawful dissipation or misapplication of the funds of the enterprise or business; (4) that the promoter's literature or advertising is misleading and calculated to deceive purchasers or investors; (5) that the securities offered or to be offered, or issued or to be issued in payment for property, patents, formulæ, goodwill, promotion or intangible asset, are in

excess of the reasonable value thereof; (6) that the enterprise or business of the promoter is unlawful or against public policy; (7) or is a mere scheme of the promoter or promoters to dispose of worthless securities or securities of no intrinsic value, at the expense of the purchasers of the aforesaid securities; the said State Securities Commission shall reduce its findings to writing and attest the same by the signature of the chairman and secretary thereof, and shall refuse to issue a permit to the applicant or applicants for the sale of such securities and it shall thereafter be unlawful for the promoter or any broker or agent of such promoter to sell or offer for sale by means of any advertisement or circular or prospectus, or by any other form of public offering to attempt to promote the sale of the securities of such speculative enterprise in this State.

Section 7. Any person, co-partnership, association or corporation being dissatisfied with any finding or findings of the State Securities Commission made in accordance with the provisions of this Act, may within thirty days from the making thereof commence a suit in the Circuit Court of Montgomery County, Alabama, against said State Securities Commission as defendant, to vacate and set aside said finding or findings on the ground that the said findings are unjust or unreasonable. The rules of pleading and procedure in such suit shall be the same as are provided by law for the trial of equitable actions in the Circuit Courts of this State and on the hearing the judge of said court may set aside, modify, or confirm said findings as the evidence and the rules of equity may require. Appeals may be taken from the decision of the Circuit Court to the Supreme Court by either party in the same manner as is provided by law in other civil cases in equity, but the Commission may appeal without bond, pending any such ac-

tion, the said findings of said State Securities Commission shall be *prima facie* evidence that they are just and reasonable and that the facts found are true, and pending any such action the said finding of the State Securities Commission shall remain in full force and effect. If no such suit be brought to set aside said findings within thirty days the same shall become final and binding.

Section 8. No amendment of the charter, articles of incorporation, constitution or by-laws of any such corporation or the articles of association or by-laws of any unincorporated association subject to this act, shall become operative until a copy of the same has been filed with the Superintendent of Banks as provided in regard to the original filing of charters, articles of incorporation, or association, constitution and by-laws, and upon such amendment, no further business shall be conducted in this State until this section as to filing copy of amendment has been complied with and the same approved by the Superintendent of Banks, and it shall be unlawful for any such person, co-partnership, association or corporation to transact business on any other plan than that set forth in the statement required to be filed by Section 3 of this act, or to make, issue, sell or offer for sale any "security" or "securities" required to be filed by section 3 of this act, until a written statement showing in full detail the proposed new plan of transacting business and a copy of the proposed new "security" or "securities" shall have been filed with the Superintendent of Banks, in like manner as provided in regard to the original plan of business and proposed "security" or "securities."

Section 9. The provisions of this act shall not apply to (a) securities of the United States; or any foreign government; or of any state or territory; or of any county, city, township, district or other



public taxing subdivision of any state or territory of the United States or any foreign government; (b) public or quasi-public corporations; (c) State or national banks or trust companies, mortgage companies dealing exclusively in bona fide mortgages on farm and city real estate or building and loan associations authorized by the State Securities Commission to do business in this State; (d) securities of any domestic corporation organized without capitol stock and not for gain, or profit and not for business or commercial purposes or organized for purely religious, educational, charitable or reformatory purposes or the like.

Section 10. The general accounts of every person, co-partnership, association or corporation, issuing or guaranteeing any securities subject to the provisions of this act, shall be kept in a business like and intelligent manner and in sufficient detail so that the Superintendent of Banks or his authorized representative can ascertain at any time the financial condition of such person, co-partnership, association or corporation, and the books of account and affairs of any such person, co-partnership, association, of corporation, shall be subject to examination by the said Superintendent or upon his direction by his assistants, accountants or examiners, at any time said Superintendent shall deem it advisable, and in the same manner as is now provided for the examination of State banks; and such person, co-partnership, association or corporation shall pay a fee for each of such examinations, of not to exceed fifteen dollars (\$15.00) for each day or fraction thereof, plus the actual traveling and hotel expenses of said Superintendent, assistant, accountant, or examiner, that he is absent from the Capital of the State for the purpose of making such examination. And it is provided further, that every person, co-partnership, association or corporation making or

guaranteeing any securities subject to the provisions of this Act, shall file at the close of business December 31st, March 31st, June 30th and August 31st, of each year, and at such other times as may be required by the Superintendent of Banks, a statement, certified by the oath of some person having actual knowledge of the facts therein stated, setting forth, in such form as may be prescribed by said Superintendent of financial conditions, amount of property and liabilities of such person, co-partnership, association or corporation and such other information as said Superintendent may require. Each statement shall be accompanied by a filing fee of two dollars and fifty cents (\$2.50). It shall be unlawful for any person, partnership, association or corporation subject to the provisions of this act, failing or refusing to comply with the provisions of this section within ten days after compliance as required, to thereafter sell or offer for sale in this State any speculative stock which said person, partnership, association or corporation is selling or offering for sale in this State.

Section 11. The Superintendent of Banks shall have power upon reasonable notice upon his own initiative or upon complaint of any responsible person, to make or have made such special inspection or investigation as he may deem necessary, in connection with the promotion, sale, disposal or offering for sale or disposal in this State, of any certificates, shares, stocks, bonds, securities, contracts or bonds for deeds, to determine whether the same constitute a violation of this act or any other statute of this State, by any individual, co-partnership, corporation, or association, promoting, offering, selling or pledging the same; and the said Superintendent of Banks, his assistant or deputy shall have the power to issue subpoenas and process compelling the attendance of any person and the production of any

papers or books for the purposes of such investigation and examination, and shall have power to administer an oath to any person whose testimony may be required on such examination or investigation; and any person who shall refuse to obey any such subpoena or make answer to any competent and material question propounded to him by the Superintendent of Banks shall upon conviction in any court of competent jurisdiction be deemed guilty of a misdemeanor, and fined in any sum not exceeding five hundred dollars (\$500.00) or be punished by confinement in the county jail for not more than ninety days or by both such fine and imprisonment; and any person who wilfully makes a false answer to any question under oath in any investigation or examination under this Act shall be guilty of perjury and be punished, on conviction, as prescribed by Section 7543 of the Code of 1907. Upon the conclusion of any such investigation, the Superintendent may make findings of fact touching the matter or matters under investigation, and such findings shall be *prima facie* evidence of the truth of the matters thereon found by the Superintendent in any action, either civil or criminal, instituted under any of the laws or statutes of this State against the person, persons, partnership, corporation or association. The notice herein provided for may be given by registered letter mailed to the last known address of the person or persons, partnership, association or corporation, to be investigated and the said Superintendent's certificate shall be sufficient evidence of such notice and the mailing thereof.

Section 12. Any person who shall knowingly make or file or cause to be made or filed with the Superintendent of Banks any statement, document, circular, advertisement or prospectus required to be filed by this act, which is false in any material respect or matter, shall be deemed guilty

of a felony, and on conviction in any court of competent jurisdiction punished by a fine of not less than one hundred dollars (\$100.00) or more than five thousand (\$5,000.00), or by imprisonment in the State penitentiary for not less than one nor more than five years, or by both such fine and imprisonment.

Section 13. Any person, partnership, association or corporation who shall commit in this State any act declared unlawful by sections 3, 5, 8 or 10 of this act, shall be deemed guilty of a felony and on conviction in any court of competent jurisdiction be punished by a fine of not less than one hundred nor more than five thousand dollars, or by confinement in the Alabama State penitentiary for a term of not less than one nor more than seven years.

Section 14. This Act shall not apply to the owner of any speculative security who is not the maker or issuer thereof, who shall acquire and sell the same for his own account in good faith in the usual and ordinary course of business, and not for the direct or indirect promotion of any enterprise or scheme within the purview of this act. Repeated or successive sales of any such speculative security or securities shall be prima facie evidence that the claim of ownership is not bona fide, or is a mere shift or device to evade the provisions of this act: Provided, that this act shall apply to brokers and stock exchanges and members thereof engaged in the purchase, handling and sale on the market of speculative securities, either as owners or for a commission.

Section 15. All fees herein provided for shall be collected by the Superintendent of Banks and shall be turned into the State Treasury. In addition to the assistant appraisers herein above authorized, the Superintendent of Banks may appoint, by and with the approval of the Securities Commission and the Governor extra clerks

or special assistants, from time to time, as needed. One of the assistant appraisers may be selected and appointed by the State Superintendent of Banks by and with the approval of the Commission and the Governor, to have special charge of the administration of this act under the direction and authority of the State Superintendent of Banks, and for his services shall be paid a salary not to exceed two thousand dollars per annum. All expenses, including salaries, clerk hire and the like shall be paid out of available funds in the treasury on the Auditor's warrant for the payment of bills itemized and certified to by the State Superintendent of Banks and by the Governor.

Section 16. Any person who shall knowingly or wilfully subscribe to or make, or make, or cause to be made any false statements or false entry in any book of account of any person, co-partnership, association or corporation, subject to the provisions of this act, or exhibit any false paper with intention of deceiving any person authorized to examine into the affairs of such person, co-partnership, association or corporation, or who shall make or publish any false statement of the financial condition of any person, co-partnership, association or corporation subject to the provisions of this Act, or shall knowingly make any false statements materially affecting the value of the stocks, bonds or other securities offered for sale by any such person, co-partnership, association or corporation, shall be deemed guilty of a felony and upon conviction thereof shall be fined not less than one hundred dollars nor more than five thousand dollars, or shall be imprisoned not less than one year nor more than ten years in the State penitentiary.

Section 17. No person, co-partnership, association, company or corporation shall, within this State, deal in or offer for sale real estate not located in Alabama, of

which the said person, co-partnership, association, company or corporation is not the bona fide owner, unless there shall first have been filed with the Superintendent of Banks and approved by him the following, that is to say: (1) A written statement of the applicant containing a pertinent description of the real estate, the sale of all or a part of which is sought to be made; (2) the nature and source of the title of the owner thereof; (3) the amount or value and the nature of the consideration paid or allowed by him therefor; (4) the names of the owner or owners of such property, and the party or parties from whom the property was purchased; (5) a copy of the conveyance or other instrument under which the owner or owners hold, claim, or own the same; (6) the incumbrances upon said property, and a copy of all instruments creating a lien, mortgage, incumbrances or other charge against the property; (7) if the property is in a town or city, then the population by the last census of the said town or city shall be stated, and if in a county outside of a town or city, the name and population by the last census of said county, and the present estimated population thereof, and of any town or city in which the said property may be situated; (8) whether the property is improved or unimproved and the nature of such improvements, if improved, supported by affidavit as to the value of the improvements, and when they were made; (9) also a general description of the topography of the land, and whether covered by any water, lake or pond, or whether same is all dry land, and what water course, if any, runs through or near the same, and its relation to the property to be sold; (10) if it is proposed to sell a lot or lots as a part of a subdivision, there shall be filed a copy of the plat or map of the sub-division; (11) a statement of the taxes that were paid upon the property or sub-division at

the last tax paying period, and at what amount the property or sub-division was assessed for taxes, and whether for state, county or city taxation at the last tax period of assessment; (12) if the said property or sub-division produces any income, state the amount of the income therefrom for the twelve months preceding the filing of the information here required, and if no income was received therefrom, then so state; (13) a copy of any public prospectus or advertising matter which is to be used in connection with such promotion or sale, and no such prospectus or advertising matter shall be issued or used unless the same shall be filed as herein provided; (14) the name, address, and selling territory in this state of any agents by, or through whom, such real estate or land are to be sold, and no such agent shall be employed unless such statement with respect to them has been filed hereunder, and there shall be paid to the Superintendent of banks a registration fee of \$1.00 for each such agent, which payment shall be in full for all fees for registration of the agents until and including the first day of March next following; (15) the name and address of the promoter or seller; the names and addresses of all partners, if the promoter be a partnership; and the names and addresses of the directors or trustees and any person owning ten per centum or more of the capital stock of the corporation, if the promoter be a corporation or association, and the names of all parties in the sub-division owning as much as ten lots thereof; (16) in no event shall lots or real estate, coming within the terms of Section 17 of this Act, outside of the State of Alabama be sold, advertised or offered for sale in this State until a permit shall have been issued under the authority of this act.

Sub-Section (1). It shall be the duty of the Superintendent of Banks as soon as

practicable to examine the statements and documents so filed, and if he deem it advisable, he may make or have made a detailed inspection or examination of the affairs of the owner, sellers or promoters of the said real estate, which shall be at the promoter's expense or owner's expense, and the Superintendent shall have power to call upon the person seeking to sell or offering the said real estate or lots for sale, for such information as he may deem necessary, and a failure on the part of the person or persons so requested for information to furnish the same shall be considered as a withdrawal of the application for permission to sell or advertise such lots or real estate, and the said Superintendent shall furnish a complete statement and record of his inspection and examination, and of all other information obtained by or filed with him as hereinabove required to the State Securities Commission; (2) any investigation, inspection or appraisal of said lots or real estate shall be made in the manner, and upon the terms and conditions herein prescribed, in reference to securities, to be examined and appraised and with the same consequences, and the expense is to be paid in the same way as an appraisal of securities and in the same amount; (3) the said State Securities Commission, within ten days after the Superintendent of Banks has made his report to it, and has filed with the Secretary of the board any information or documents received, or any appraisal and report submitted to him, shall have power to make an independent investigation and examination of the affairs of the promoter, owner, or proposed seller of such lands and lots, and shall have power to investigate the personnel of the agent or agents through whom or by whom said lots or lands are to be handled or sold; (4) it shall direct the Superintendent of Banks to issue a permit authorizing the sale of the lots or lands, if, in its opinion,



it is proper and safe to investors in this State that such permit shall be granted, which permit may be revoked at any time by the Securities Commission upon complaint made, and after hearing, as herein set out; (5) upon complaint being made to the Superintendent of Banks or the State Securities Commission and notice given to the Bank Superintendent of such complaint, he may forthwith suspend the order granting the permit, pending a final hearing, and during such suspension no such lots or lands shall be sold or offered for sale; (6) notice shall be given to the promoter, owners, or proposed sellers affected by such order of the time and place for hearing of the complaint by the Securities Commission not later than thirty days from date of the order of suspension, and the notice may be given by mail to the address of such promoter or parties interested, as furnished at the time of filing of the application; (7) if the Securities Commission, upon the hearing shall find that there are just grounds for complaint or that the promoter, agents or other parties connected with the sale of said lots or lands, have violated any provisions of this act, or orders of the Securities Commission, or of the Superintendents of Banks, under the provisions of the act or within the scope thereof, the Securities Board shall make an order cancelling the permit theretofore granted.

Sub-Section (2). It shall be unlawful, in this State, for any corporation, association or co-partnership doing business under any name other than the name or names of such corporation, association or co-partnership or of all the members of such association or co-partnership to sell any real estate not located in Alabama, or for any person engaged in the business of dealing in real estate to sell or offer for sale any such real estate, the title to which is represented to the purchaser to be in the name of a corporation

or unincorporated company, or of a person doing business under a fictitious name. This section shall apply where the title to such property is held in the name of a trustee for any corporation or for any such described person or company, but it shall not be deemed to prohibit the disposal by an owner of his own property, in good faith and not for the purpose of avoiding the provisions of this act, where the transaction is not one of repeated transactions of a similar nature, performed as a part of the business of dealing in real estate; nor shall it be deemed to prohibit a railroad company having an immigration bureau or department from advertising either directly or through its accredited representatives, the fact that there are along its route lands for colonization or sale; provided, that such advertising be not of specific tracts or real estate, and not for the purpose of avoiding the provisions of this act.

Section 18. If it shall appear, after any inspection or examination, provided by this act, and after the filing of all the information required by this act with the State Securities Commission that the law has been complied with, and that the business of the applicant is not or to be fraudulently connected, and that the proposed disposal of such securities or other property is not on grossly unfair terms, and in the case of securities that the promoter or owner is solvent, upon the payment of a fee of ten dollars, the Commission shall issue its certificate to that effect, authorizing such disposal. But if it shall not so appear the Commission shall so notify the applicant, promoter, owner, or proposed seller, in writing, of its refusal to issue such certificate. Such certificate shall be issued or refused within a reasonable time after the filing of the application therefor, which shall be within not more than thirty days from and after the applicant has fully complied with all requirements of this act,

and applicant shall have the same right of review of such findings as is given to a dealer in securities by section 7 of this act, in the case of appeals from the decision of the State Securities Commission to the Circuit Court of Montgomery County, in this State, when there is dissatisfaction with the finding or findings of the State Securities Board, in respect to authority to sell or offer for sale securities in this State, under the terms of section 7 of this act. Where the case is not specifically provided for in the Sections of this Act, dealing with the sale or offering for sale of lands or real estate situated outside of the State of Alabama, then the same procedure and remedies shall govern and control in respect to regulations and conditions upon which such sale of such lots or real estate can be made (as far as they can be made applicable), as in the case of procedure and regulations concerning the sale of securities under those sections of this act prescribing regulations for dealing with and the selling, offering, or advertising securities, and so regulating the same as to protect investors of this State.

Section 19. Whoever knowingly makes any false statement of fact in any statement or matter of information required by section 17 of this Act to be filed with the Superintendent of Banks, or with the State Securities Commission, or in any advertisement, prospectus, letter, circular or other document, containing an offer to dispose of or solicitation to purchase, or commendatory matter concerning such real estate, with intent to aid in the disposal of the same, or whoever knowingly violates any of the provisions of section 17 of this Act, or any of its sub-sections, for the purpose of aiding in the disposal of any securities or real estate coming within section 17 of this Act, concerning any license or certificate issued under the provisions hereof shall be fined not less than five hundred dollars, nor more than five thousand dol-

lars or imprisonment in the penitentiary not more than three years, one or both; and whoever violates any of the provisions of this act for which a punishment has not already been provided, shall be fined not less than fifty dollars nor more than one thousand dollars, or be subject to imprisonment at hard labor for the county for not exceeding twelve months for each offense, punishment to be fixed by the court or judge trying the case. The State Securities Commission is hereby vested with authority to make and publish all rules and regulations which may be necessary or proper to the exercise of the powers herein conferred or in the conduct of the business intrusted to it, and performance of the duties imposed upon it, which rules and regulations may be made applicable to the authority and duties of the State Superintendent of Banks and all officers and employees of the Commission.

Section 20. Should the Courts declare any section or clause of this act unconstitutional, then such decision shall affect only the section or clause so declared to be unconstitutional, and shall not affect any other section or part of this act.

Section 21. This Act shall take effect sixty days after approval of the Governor.

Approved Sept. 29, 1919.

## ARIZONA

Revised Statutes (1913) Civil Code,  
Title 9, Chap. 9, as amended March 17,  
20, 1919.

P. 2259. Every Corp., every copartnership or Co. and every Asso. (other than State and Nat. banks, and Corps. not organized for pecuniary profit) organized, or which shall be organized, in this State, whether incorporated or unincorporated, which shall sell or negotiate for the sale of any stocks, bonds, or other securities of any kind or character other than bonds of the U. S., the State of Arizona bonds, or bonds of some county, city, town or school district therein, to any person or persons in the State of Arizona, other than those specifically exempted herein, shall be known for the purposes of this Chap. as a domestic Invest. Co. Every such Invest. Co. organized in any other State or Gov't, or organized under the laws of any other state or Gov't, shall be known for the purposes of this Chap. as a foreign Invest. Co.

P. 2260. Before offering for sale, or attempting to sell, any stocks, bonds, or other securities of any kind or character other than those specifically exempted in the preceding section, to any person or persons, or transacting business of any kind whatever in this State, excepting that of preparing the instruments hereinafter required, every such Invest. Co., domestic or foreign, shall file in the office of the Corp. Com. of this State the following instruments, to-wit: A statement showing in full detail the plan upon which it proposes to transact business; a copy of all contracts, bonds, or other instruments which it proposes to make with, or to sell to, its subscribers: a statement which shall show the name and location of the Invest. Co., and an itemized account of its actual financial condition, and the amount of the property owned by it, and its liabilities, and such other in-

formation touching its affairs as the Corp. Com. may require.

If such Invest. Co. be a co-partnership or an unincorporated Asso., it shall also file with the Corp. Com. a copy of its articles of co-partnership and all such other papers pertaining to its organization as may be required by the Corp. Com.

All such Invest. Co.'s shall also file in the office of the Corp. Com. such other instruments and documents as may be required by the general laws of this State appertaining to Corps., both foreign and domestic, and such other papers and documents as the Corp. Com. may require.

P. 2261. All of the above described instruments shall be verified by the oath of a member of the co-partnership or Co., if it be a co-partnership or Co.; or by the oath of a duly authorized officer, if it be an incorporated or unincorporated Asso. All such papers, however, as are recorded or are on file in any public office, shall be further certified to by the officer of whose records or archives they form a part, as being correct copies of such records or archives.

P. 2262. Every foreign Invest. Co. shall also file its written consent, irrevocable, in the office of the Corp. Com., that actions may be commenced against it in the proper court of any county of this State in which the cause of action may arise or in which the plaintiff may reside, by a service of process upon an agent, Atty., or other person designated by such Co., and residing within this State, and stipulating and agreeing that such service of process on the person so designated shall be taken and held in all courts, to be as valid and binding as if due service had been made upon the Co. itself, according to the laws of this or any other State, and such instruments shall be authenticated by the seal of such foreign Invest. Co. and by the signature of a member of such co-partnership or Co.

if it be a co-partnership or Co., or by the signature of the Pres. and Sec. of the incorporated or unincorporated Asso., if it be an incorporated or unincorporated Asso., and shall be accompanied by a duly certified copy of the order or resolution of the board of directors, trustees, or managers, of the Corp. authorizing the said Sec. and Pres. to execute the same.

P. 2263. It shall be the duty of the Corp. Com. to examine the statements and documents so filed, and if said Corp. Com. shall deem it advisable it shall make, or have made, a detailed examination of such Invest. Co.'s affairs; such examination shall be at the expense of such Invest. Co., as hereinafter provided; and if it finds that said Invest. Co. is solvent, that its articles of incorporation or Asso., its constitution and by-laws, its proposed plan of business and proposed contract contains and provides for a fair, just and equitable plan for the transaction of business, and in its judgment promises a fair return on stocks, bonds, or other securities, by it offered for sale, the Corp. Com. shall issue to such Invest. Co. a statement, reciting that such Co. has complied with the provisions of this Chap., that detailed information in regard to the Co. and its securities is on file in the office of the Corp. Com. for public inspection and information, that such Invest. Co. is permitted to do business in this State, and such statement shall also recite in bold type that the Corp. Com. in no wise recommends the stock, bonds or other securities to be offered for sale by such Invest. Co. But if said Corp. Com. advises that such articles of incorporation or Asso., charter, constitution and by-laws, plan of business or proposed contract contain any provisions that are unfair, unjust, inequitable or oppressive to any class of contributors, or if it decides from its examination of the affairs of said Invest. Co. that the said Invest. Co. is not solvent and

does not intend to do a fair and honest business, and in its judgment does not promise a fair return on the stocks, bonds or other securities by said Invest. Co. offered for sale, then the Corp. Com. shall notify such investment in writing of its findings, and it shall be unlawful for such Co. to do any further business in the State until it shall so change its constitution and by-laws, articles of incorporation or Asso., its proposed plan of business, and proposed contract, and its general financial condition, in such manner as to satisfy the Corp. Com. that it is solvent, and its articles of incorporation or Asso., its constitution and by-laws, its proposed plan of business, and proposed contract, provide for a fair, just and equitable plan for the transaction of business and does, in the judgment of the Corp. Com. promise a fair return on stocks, bonds, or other securities by such Invest. Co. offered for sale; provided, that all expenses paid or incurred and all fees or charges received or collected for any examination made under the provisions of this section of this Chap. shall be reported in detail by the Corp. Com. and a full report and record thereof made in detail.

The Com. shall charge and collect the following fees:

1. For filing any application for a permit to issue securities, \$10, plus

1/20 of 1% of the value of the securities sought to be issued up to and including \$50,000;

1/25 of 1% of such amount in excess of \$50,000 and not exceeding \$100,000;

1/50 of 1% of such amount in excess of \$100,000 and not exceeding \$500,000; and

1/100 of 1% of such amount in excess of \$500,000.

The value of such securities shall be deemed to be their par or face value, if they have a par or face value; otherwise, the price at which the Co. proposes to sell or issue the same, or the value, as alleged



in the application of the consideration (if other than money) to be received in exchange therefor.

2. For filing any application for a permit or other authority to make dividends, create debts, or to divide, withdraw, increase, reduce or pay to the stockholders, or any of them, the capital stock, or any part thereof, the same amount that would otherwise be chargeable or collectable if such application were for a permit to issue securities.

Provided, that in any such case the value shall be determined by the amount of dividends made, debts created, or capital stock divided, withdrawn, increased, reduced or paid.

All fees collected by the Corp. Com. under the provisions of this Chap. shall be paid into the State Treasury and credited to the "Corporation Commission Investment Company Fund" and such part thereof as may be necessary to be used by the Com. in carrying out the provision of this Act, shall be paid by the State Treasurer upon warrant drawn by the State Auditor on such fund from time to time in favor of the Com. for the amounts expended under its direction. Approved March 20, 1919.

P. 2264. It shall be unlawful for any Invest. Co., either as principal or agent, to transact any business, in form or character similar to that set forth in Sec. 1 of this Chap. except as is provided in Sec. 2 of this Chap., until it shall have filed the papers and instruments hereinbefore provided for. No amendment of the charter, articles of incorporation, constitution, and by-laws, of any such Invest. Co. shall become operative until a copy of the same has been filed with and approved by the Corp. Com. as provided in regard to the original filing and approval of charters, articles of incorporation, constitutions, and by-laws, nor shall it be lawful for any

such Invest. Co. to transact business on any other plan than that set forth in the statements required to be filed by Sec. 2 of this Chap., until a written statement showing in full detail the proposed new plan of transacting business and a copy of the proposed new contract shall have been filed with the Corp. Com., in like manner as provided in regard to the original plan of business and proposed contract, and the consent of the Corp. Com. obtained as to making such proposed new plan of transacting business.

P. 2265. Any Invest. Co. may appoint one or more agents, but no such agent shall do any business for said Invest. Co. in this State until he shall first register with the Corp. Com. as agent for such Invest. Co., and for each of such registrations there shall be paid to the Corp. Com. the sum of \$1.00.

Such registration shall entitle such agent to represent said Invest. Co. as its agent until the first day of July following, unless said authority shall be sooner revoked by the Corp. Com. for cause appearing to it sufficient. Every Invest. Co., domestic or foreign, shall file at the close of business on the first day of July of each year, and at such other times as required by the Corp. Com., a statement verified by the oath of the co-partnership or Co., if it be a co-partnership or Co., or by the oath of a duly authorized officer, if it be an incorporated or unincorporated Asso., setting forth in such form as may be prescribed by the Corp. Com., it (its) financial condition and the amount of its assets and liabilities, and furnishing such other information concerning its affairs, as said Corp. Com. may require. Any Invest. Com. failing to file its report at the close of business on the first day of July of each year within 10 days of that date, or failing to file any other or special report herein required within 30 days after receipt of request or

requisition therefor, shall forfeit its right to do business in this State.

No Co., broker, or agent, or any other person, shall issue, circulate, or publish any advertisement, pamphlet, prospectus, or circular concerning any security sold or offered for sale by it, unless the name of the Co., broker, agent, or person issuing, circulating or publishing the same shall be subscribed thereto, and a true copy thereof shall have been first filed in the office of the Corp. Com., or deposited in a U. S. post office, properly enclosed in a sealed envelope, addressed to the Com. at Phoenix, Ariz., with the postage duly prepaid thereon; nor shall any Co., broker, or agent, or any other person, issue, circulate, or publish any such advertisement, pamphlet, prospectus, or circular after notice in writing given to it by the Corp. Com., that in its opinion, the same contains any statement that is false or misleading or otherwise likely to deceive a reader thereof.

P. 2266. The general accounts of every Invest. Co., domestic or foreign, doing business in this State, shall be kept in such manner and form as may be prescribed by the Corp. Com. and all books, papers, business, methods, and affairs of such Invest. Co. shall be at all times subject to inspection and investigation by said Corp. Com., any member of said Com. or any person thereto by said Com. authorized and designated for the purpose of enforcing the provisions of this Chap. The Corp., Com. and the several members thereof, shall have the power of a court of general jurisdiction to enforce the attendance of witnesses and production of evidence by subpoena, attachment, and punishment, which said power shall extend throughout the State. Said Com. shall have power to take testimony under deposition either within or without the State.

P. 2267. The Corp. Com. shall have general supervision and control, as provided

by this Chap. over any and all Invest. Co.'s, domestic or foreign, doing business in this State, and all such Invest. Co.'s shall be subject to examination by the Corp. Com. or its duly authorized agent, at any time the Corp. Com. may deem it necessary, and such Invest. Co. shall pay a fee for each of such examinations of not to exceed \$10 for each day or fraction thereof plus the actual traveling and hotel expenses of said Com., or any member thereof, or agent thereof, that it, or he, is absent from the Capitol Building for the purpose of making such examination and the failure or refusal of any Invest. Co. to pay such fees upon the demand of the Corp. Com., any Comr. or deputy or agent thereof, while making such examination, shall work a forfeiture of its right to do business in this State.

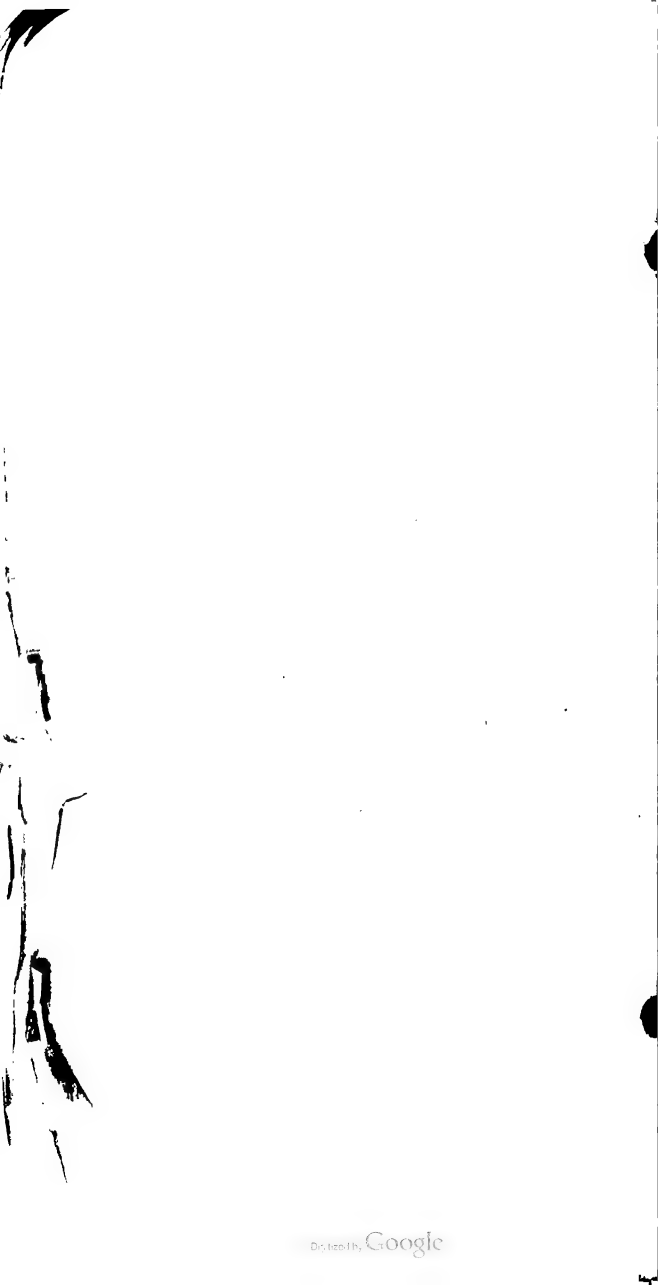
P. 2268. Whenever it shall appear to the Corp. Com. that the assets of any Invest. Co. doing business in this State are impaired to the extent that such assets do not equal its liabilities, or that it is conducting its business in any unsafe, inequitable, or unauthorized manner, or is jeopardizing the interest of its stockholders or investors in stocks, bonds, or other securities, by it offered for sale, or whenever any Invest. Co. shall fail or refuse to file any papers, statements, or documents, required by this Chap. without giving satisfactory reasons therefor that may be deemed sufficient by the Corp. Com., said Corp. Com. shall at once communicate such facts to the Atty.-Gen. of the State who shall thereupon apply to the Supreme Court or to the Superior Court of the county where such Invest. Co. is located for the appointment of a receiver to take charge of and wind up the business of such Invest. Co., and if such fact or facts be made to appear it shall be sufficient evidence to authorize the appointment of a receiver and the making

of such orders and decrees in such cases as equity may require.

P. 2269. Any person who shall knowingly or wilfully subscribe to, or make, or cause to be made, any false statements or false entry in any book of such Invest. Co., or exhibit any false papers with the intention of deceiving the Corp. Com., or any Comr., or person authorized to examine into the affairs of such Invest. Co., or shall make, or publish any false statement of the financial condition of such Invest. Co., of the stocks, bonds, or other securities by it offered for sale, shall be deemed guilty of a felony, and upon conviction thereof shall be fined not less than \$200.00 nor more than \$500.00, and shall be imprisoned for not less than 1 year nor more than 10 years in the State prison.

P. 2270. Any person or persons, agent or agents, who shall sell, or attempt to sell, any stocks, bonds, or other securities of any Invest. Co., domestic or foreign, or the stocks, bonds or other securities by it offered for sale, who have not complied with the provisions of this Chap. or any Invest. Co., domestic or foreign, which shall do any business or offer or attempt to do any business, except as provided in Sec. 2 of this Chap., which shall not have complied with the provisions of this Chap., or any agent who shall do or attempt to do any business for any Invest. Co., domestic or foreign, in this State, which agent is not at the time duly registered and has not fully complied with the provisions of this Chap., shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined for each offense not less than \$100.00 nor more than \$500.00, or by imprisonment in the county jail for not more than 6 months, or by both such fine and imprisonment.

NOTE.—(For licensing of brokers and general control of the sale of securities. see Laws of Arizona, 1917, Chap. 30.)



## ARKANSAS.

Law 1915, Act 242, P. 885.

SECTION 1. The State Bank Comr. shall be and he is hereby constituted and delegated with full power and authority to supervise and enforce the provisions of this Act, and he shall appoint an assistant at a salary not exceeding \$2,400 per annum for the purpose of this Act, and such Bank Comr. shall make such rules and regulations as may be necessary to carry out the provisions herein and shall prepare all necessary blanks, records and stationery, and shall pay all other expenses lawfully incurred hereunder. Act 1915 as amended by Act 214, 1917.

SEC. 2. Every person, Corp., co-partnership, Co. or Asso. (except those exempt under the provisions of this Act), organized or which shall hereafter be organized in this State, whether incorporated or unincorporated, which shall either himself, themselves or itself, or by or through others, sell or negotiate for the sale of any contract, stock, bonds or other securities issued by him, them, or it, within the State of Arkansas, shall be known for the purposes of this Act as a domestic Invest. Co.

Every such person, Corp., co-partnership or Asso. a resident of or organized in any other State, Territory or Gov't shall be known for the purposes of this Act as a foreign Invest. Co.

SEC. 3. The provisions of this Act shall not apply to:

a. Securities of the U. S.; or any foreign Gov't; or any State or Territory thereof, or of any county, city, township, district or other public taxing subdivision of any State or Ter. of the U. S., or any foreign Gov't;

b. Unsecured commercial paper;

c. Securities of public or quasi-public

Corp's, the issue of which securities is regulated by the Arkansas Railroad Com. or by any public service commission or board of equal authority of any State or Ter. of the U. S. or securities senior thereto;

d. Securities of State or Nat'l banks or Tr. Co's;

e. Securities of any domestic Corp. organized without capital stock, and not for pecuniary gain, or exclusively for educational, benevolent, charitable or reformatory purposes;

f. Mtgs. upon real or personal property situated in this State where the entire Mtg. is sold and transferred with the note or notes secured by such Mtg.;

g. Increase of stock sold and issued to stockholders, also stock dividends;

h. Securities which are listed in any standard manual of information approved by said Bank Comr.; *Provided, however*, that said Bank Comr. shall have power to call for additional and further information than that contained in such manuals with reference to any securities listed therein, and may, pending the filing of such information, suspend the sale of such securities, and also suspend, either temporarily or permanently, the sale of any securities listed in such manuals after a hearing upon notice to the issuer of such securities if said Bank Com. shall find that the sale of such securities would work a fraud upon the purchaser thereof.

SEC. 4. Before selling, offering for sale, taking subscriptions for or negotiating for the sale in any manner whatsoever in this State, any contracts, stocks, bonds or other securities of its own issue, every Invest. Co., domestic or foreign, shall file in the office of the Bank Comr. a statement showing in full detail the plan upon which it proposes to transact business, a copy of all contracts, stocks, bonds or other instruments which it proposes to make with or sell to, its contributors or customers, to-



gether with a copy of its prospectus, and of the proposed advertisements of its sale of stocks, bonds or other securities, which statement shall also show the name and location and main office of the Invest. Co.; the names and addresses of its officers, and an itemized account of its financial condition and of its assets and liabilities, and such other information touching its condition and affairs as the Bank Comr. may require.

If such Invest. Co. shall be a co-partnership or an unincorporated Asso., it shall also file with the Bank Comr. a copy of its articles of copartnership or Asso., and all other papers pertaining to its organization. If it be a Corp. organized under the laws of Arkansas, it shall also file with the Bank Comr. a copy of its articles of incorporation; constitution and by-laws, and all other papers pertaining to its organization. If it shall be an Invest. Co. organized under the laws of any other State, Ter. or Gov't, incorporated or unincorporated, it shall also file with the Bank Comr. a copy of the laws of the State, or Ter. or Gov't, under which it exists or is incorporated, and also a copy of its charter and the C'tf of the proper officer of such State showing that it is Auth. to transact business there; and also copies of its constitution and by-laws and of all amendments of any of the above mentioned instruments which have been made, and of all other papers pertaining to its organization. It shall also pay a filing fee of one-tenth per cent upon the face value of the securities for the sale of which application is made; *provided, however*, such filing fee shall not be more than \$100, nor less than \$10.

**SEC. 5.** All the above described papers shall be verified by the oath of a member of the copartnership or company, if it be a copartnership or Co., and by the oath of a duly Auth'd officer, if it be a Corp. or an unincorporated Asso.

All such papers, however, as are recorded

or are on file in any public office shall be further certified by the officer of whose records or archives they form a part, as being correct copies of such records or archives.

SEC. 6. Every foreign Corp. before offering for sale any of its stocks, bonds or other securities in this State shall file its irrevocable written consent that suits and actions may be commenced against it in the proper courts of any county in this State in which a cause of action may arise, or in which the plaintiff may reside, by the service or any process of pleading authorized by the laws of this State, on the Bank Comr., said consent stipulating and agreeing that such service of such process or pleading on such Comr. shall be taken and held in all courts to be as valid and binding as if due service had been made on the company itself, and said instrument containing such consent shall be authenticated by the seal of said foreign Corp., and shall in such case be accompanied by a duly certified copy of the resolution of the Board of Directors, authorizing the Pres. and Sec. to execute the same. In case any process or pleading mentioned in this Act are served upon the Bank Comr., it shall be by duplicate copies, one of which shall be filed in the office of the Bank Comr., and another immediately forwarded by registered mail to the head office of the Corp. against which said process or pleadings are directed.

SEC. 7. The said Bank Comr. shall have power to demand from any Invest. Co. seeking to come under the provisions of this Act any further information other than such Invest. Co. is required to furnish under the provisions of this Act which shall be necessary to properly qualify him to pass upon all questions that may come before him. He may make or have made under his direction a detailed Exam. of such Invest. Cos. property, business and affairs, which Exam. shall be at the ex-

pense of the applicant. He may cause an appraisal to be made at the expense of the Invest. Co., of the property of the said Invest. Co., including the value of patents, good will, promotion and intangible assets, and he may fix the amount of stocks, bonds or other securities that may be issued by any Corp., foreign or domestic, in payment for property, patents, good will, promotion and intangible assets at the value he shall find same to be worth, and may require that such stocks, bonds or other securities so issued for such property, patents, good will, promotion and intangible assets shall be deposited in escrow under such terms as said Bank Comr. may prescribe. And said Bank Comr. may withhold his certificate of authority to sell such stocks, bonds or other securities if such Corp. has issued stocks, bonds or other securities in payment for property, patents, good will, promotion and intangible assets in excess of their value as found by said Bank Comr., or if said stocks, bonds or other securities are not deposited in escrow according to the terms fixed by the Bank Comr. until such stocks, bonds, or other securities issued in payment for property, patents, good will, promotion and intangible assets in excess of the value so found by said Bank Comr. has been surrendered to such Corp. and cancelled by it, and until the said stock has been deposited in escrow under the terms prescribed by said Bank Comr.

SEC. 8. It shall be the duty of said Bank Comr. to examine the statements and documents filed in his office by any Invest. Co. and the reports of any investigation conducted under the direction of said Bank Comr. and to hear such applicant and he shall have power to examine under oath any person interested or connected with such Invest. Co., and if said Bank Comr. finds that the proposed contracts, stocks, bonds or other securities are fraudulent or of such nature that the sale thereof

would, in the opinion of the said Bank Comr. work a fraud upon the purchaser, then the said Bank Comr. shall disapprove the sale of such proposed contracts, stocks, bonds or other securities and shall notify such Invest. Co. by Reg. mail of his findings and disapproval, and it shall be unlawful for such Co. to do any further business in the way of selling, offering for sale, taking subscriptions for, or negotiating for the sale in any manner whatever of any such contracts, stocks, bonds or other securities in this State; and said contracts, stocks, bonds or other securities shall not be sold in this State. If, however, such Bank Comr. shall not find that the proposed plan of business of said Invest. Co. or that its proposed contracts, stocks, bonds or other securities are fraudulent or are of such nature that the sale thereof, would in the opinion of said Bank Comr., work a fraud upon the purchaser thereof, then he shall approve the sale of same in the State of Arkansas, and issue his certificate in substantially the following language:

This is to certify that the .....  
has this day been given permission to sell  
\$..... of its .....  
(Stocks, bonds or other securities.)  
within the State of Arkansas.

THE BANK COMR. DOES NOT RECOMMEND THE PURCHASE OF THIS SECURITY.

(Two Sizes Larger.)

This ..... day of ..... A. D.  
191...

In witness whereof, I have hereunto  
affixed the seal of the bank Dep.

Done at Little Rock this ..... day  
of ..... A. D., 191...

Bank Comr. ....

(SEAL)

The words "the Bank Comr. does not  
recommend the purchase of this security"  
shall be printed in type two sizes larger

than any other part of said C't'f, and in case said C't'f or the fact that said Bank Comr. has approved said securities is printed or published in any circular, pamphlet or newspaper, the words "the Bank Comr. does not recommend the purchase of this security" shall be printed in type two sizes larger than the balance of said C't'f, or statement of such facts that such securities have been approved by said Bank Comr. appears.

SEC. 9. Any person, firm, copartnership, Corp. or Asso., whether domestic or foreign, not the issuer, who shall in this State sell or offer for sale any of the stocks, bonds or other securities issued by any foreign or domestic Invest. Co. except the securities specially exempted in this Act, or who shall, by advertisement or otherwise, profess or engage in the business of selling or offering for sale such securities, shall be deemed to be a "dealer" in such securities within the meaning of this Act, and no dealer within the meaning of this Act shall sell or offer for sale any such securities or profess the business of selling or offering for sale such securities unless and until he shall have filed a list of the same in the office of the Bank Comr. as in this Act provided. The term "dealer" shall not include an owner, not issuer, of such securities so owned by him when such sale is not made in the course of continued and successive Trans. of a similar nature, nor one who, in a trust capacity created by law, lawfully sells any securities embraced within such trust.

SEC. 10. Any dealer desiring to sell or offer for sale within this State any stocks, bonds or other securities not exempted under the terms of this Act, shall first register with the Bank Comr. and shall furnish said Bank Comr. upon oath in such form as the Bank Comr. shall prescribe, the following information, to-wit: The dealer's name, residence and business address, the general character of the se-

curities to be dealt in, the place or places where the business is to be conducted within this State, and where the business in this State is not to be conducted, by the dealer in person; then the names and addresses of all persons in charge thereof. Said dealer at the time of such registration shall pay to the Bank Comr. an inspection fee of \$50 and shall furnish said Bank Comr. with such other information in addition to that above specified as said Bank Comr. shall deem necessary in order to thoroughly acquaint himself with the character of the business of such dealer. All Auth. agents of any dealer shall be Reg. with the Bank Comr. and the name of any agent shall be stricken from the register by the Bank Comr. upon the written request of the dealer and additional agents may be Reg. by the Bank Comr. upon like request of the dealer accompanied with the fee therefor; *provided*, that no agent shall act as such until his name and address shall be Reg. with the Bank Comr.

If the dealer be a foreign Corp., it shall at the time it Reg. with the Bank Comr. file with the Comr. a written duly authenticated appointment of the Bank Comr. of this State as its agent in Arkansas upon whom process or pleadings may be served for and on behalf the dealer for the purposes mentioned in section 6 of this Act, and such appointment shall be irrevocable.

Upon compliance by such dealer with the provisions of this Act, the said Bank Comr. shall issue to him a C'tf of Auth. under the seal of said commission, which said C'tf shall be valid for one year from the date thereof, or until revoked by said Bank Comr. for good cause upon notice to such dealer and a hearing duly had; *provided*, that in the event such C'tf of authority be not revoked before the expiration of one year from the date thereof, same may be renewed by the said Bank Comr. upon receipt of an inspection fee of \$25.

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SEC. 11. In addition to the filing fees and Exam. fee herein provided for to be paid by Invest. Cos. and dealers, there shall be charged and collected by the Bank Comr. a fee of \$2 for the Reg. and Auth. of each agent of any such dealer or Invest. Co., and shall be valid until March 1 following, unless sooner revoked by the Comr. for cause appearing sufficient, and all the fees and charges collected by the Bank Comr. shall be turned into the State Treas. and are hereby reappropriated to the Bank Comr. toward paying the expenses of enforcing this Act. The expenses of said Bank Comr. shall not, however, be limited to the money received by him, but he shall have power to incur all expenses he finds necessary in enforcing the provision hereof.

SEC. 12. The Gen. accounts of every Invest. Co., domestic or foreign, shall be kept in a business-like and intelligent manner, and in sufficient detail that said Bank Comr. can ascertain at any time its financial condition and the books of accounts shall at all times during business hours, except on Sundays and legal holidays, be open to stockholders and Invest. in said Co., or the said Bank Comr. and all such Invest. Cos. shall be subject to Exam. by said Bank Comr., or duly Auth. Exam. at any time said Bank Comr. shall deem it advisable and in the same manner as is now provided for the Exam. of State banks, and such Invest. Cos. other than Bldg. and loan, Bldg., or Bldg. and savings Asso. shall pay a fee for each such Exam. not to exceed \$10 per day or fraction thereof that any examiner is absent from the Capitol building for the purpose of making such Exam., and in addition thereto shall pay the actual hotel and traveling expenses of such Auth. examiner from Little Rock and return. It shall be the duty of said Bank Comr. to make or cause to be made at least once a year an Exam. of all Bldg. and loan, Bldg. or Bldg. and savings Asso's

doing business in this State, in the manner now provided for the Exam. of State banks, and such Bldg. and loan, Bldg., or Bldg. and savings Asso. shall pay a fee for each of such Exams. of not to exceed \$10 per day plus 10 cents per each \$1,000 or fraction thereof of its assets; *provided*, that in no event may the charge for such Exam. exceed \$50, if such Bldg. and loan, Bldg., or Bldg. and savings Asso. be a domestic Invest. Co.; and, *provided also*, that such charge for such Exam. may not exceed \$50 plus the necessary hotel and traveling expenses from Little Rock and return if such Bldg. and loan, Bldg., or Bldg. and savings Asso. be a foreign Corp. And the failure or refusal of any Invest. Co. to pay such fees upon demand of such Bank Comr. or duly Auth. Exam., while making such Exam., shall work a forfeiture of the right of such Invest. Co. to sell or offer for sale any of its contracts, stocks, bonds or other securities in this State. In case a preliminary Exam. of any Invest. Co. by said Bank Comr. for the purpose of the ascertainment by said Bank Comr. as to whether said Co. shall be permitted to come under the provisions of this Act, the fee for such Exam. shall be the same as in this section provided, and in case it shall appear to the Bank Comr. from the Exam. of such Invest. Co., after said Invest. Co. has been Auth. to sell or offer for sale its contracts, stocks, bonds or other securities that the further sale of said contracts, stocks, bonds or other securities would work a fraud upon the purchaser, then said Bank Comr. may make an order revoking the license of such Invest. Co. to sell its contracts, stocks, bonds or other securities upon notice duly given and a hearing duly had, and may pending such hearing, suspend the rights of such Invest. Co. to sell its contracts, stocks, bonds or other securities.

SEC. 13. It shall be unlawful for any



Invest. Co. or dealer or representative thereof, either directly or indirectly, to sell or cause to be sold, offer for sale, take subscriptions for, or negotiate for the sale in any manner in this State, any contracts, stocks, bonds, or other securities (except as expressly exempted herein), unless, and until said Bank Comr. has approved thereof and issued his C'tf in accordance with the provisions of this Act, nor shall it be lawful for any such Invest. Co. to transact business on any other plan than that set forth in the statements and papers required to be filed by virtue of the provisions of this Act or the rules of the Bank Comr. It shall be unlawful for any Invest. Co., or dealer, or its or his agents, to issue, circulate or deliver any advertisement, pamphlet, circular, prospectus or other document in regard to its stocks, bonds or other securities in the State of Arkansas differing in any way from the copy filed with the said Bank Comr. as provided by this Act. It shall be unlawful for any newspaper published in the State of Arkansas to advertise the sale of any stocks, bonds or other securities which have not been approved by said Bank Comr. or which are not exempt under the provisions of this Act.

SEC. 14. No dealer within the meaning of this Act shall sell or offer for sale within this State any of the stocks, bonds or other securities of any Invest. Co. unless such Invest. Co. shall have fully complied with all the provisions of this Act, nor until said dealer shall have Reg. with the Bank Comr. under the terms of this Act; *provided, however, that should any dealer desire to sell or offer for sale within this State the contracts, stocks, bonds or other securities of any Invest. Co. which has not itself complied with the provisions of this Act, said dealer shall make application to the said Bank Comr. for license as hereinbefore provided for applications by Invest.*

Cos. and shall pay the same fee required to be paid by said Invest. Co.

SEC. 15. All information obtained by the Bank Comr. with reference to any securities and all records of the Bank Comr. relating thereto shall be open to Exam. by the public, and it shall be the duty of the Bank Comr. to preserve such information, and so classify and arrange it as to facilitate Exam. and inspection thereof. The Bank Comr. may from time to time issue in pamphlet form, or by newspaper advertisements, or otherwise, any and all information regarding any and all contracts, stocks, bonds or other securities sold or offered for sale within this State which he deems would be of public interest or advantage.

SEC. 16. Nothing in this Act shall be construed to repeal or modify any laws giving the State Bank Department of this State control over State Banks; and the business of banking in this State, nor shall any part of this Act be construed to repeal or modify laws giving the Ins. Comr. of this State control of and supervision over the business of Ins. in this State, and those engaged therein.

SEC. 17. Any person who shall knowingly or wilfully subscribe to or make or cause to be made any false statement or false entry in any book of any Invest. Co., or who shall exhibit any false paper with the intention or for the purpose of deceiving any person Auth. to examine into the affairs of said Invest. Co., or shall make or publish any false statement of the financial condition of said Invest. Co. or false statement relating to the contracts, stocks, bonds or other securities by it issued and offered for sale, shall be deemed guilty of a misdemeanor and shall be punished as hereinafter provided.

SEC. 18. The Bank Comr. shall provide for the furnishing to those who may apply therefor of any information regarding any Invest. Co. or its affairs, which is on file

in its office, said Bank Comr. to charge therefor approximately the cost of preparing such information, and 50 cents for each certificate of authentication. All fees collected under the provisions of this Act shall be paid into the State Treas. on the first day of each and every calendar month, and a complete record of all fees received shall be kept in the office of the Bank Comr., and all said fees so turned into the State Treas. are hereby reappropriated to the Bank Comr. for the purpose of paying salaries and expenses necessary for carrying this Act into effect.

SEC. 19. Every Invest. Co., domestic or foreign, shall file during the month of Jan. in each year, a detailed statement in such form and containing such information as the Bank Comr. may prescribe and require, showing its condition at the close of business Dec. 31 preceding, and shall at the same time pay a filing fee therefor of \$2.50; *provided*, that said Bank Comr. may call for other or additional reports of any kind at any time, and such other or additional reports shall be filed within 20 days after call therefor.

SEC. 20. An appeal will always lie to the Chancery Court, upon petition of any person aggrieved and upon payment of the costs of preparing such copies of papers and other documents desired by said petitioner from any final orders of the Bank Comr. The granting of such appeal shall not, however, unless so ordered by such court or other court of competent jurisdiction, operate as a stay of proceedings.

SEC. 21. Any person or persons who shall violate any of the provisions of this Act shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined not more than \$1000 or may be imprisoned in the county jail for not more than one year, or by both such fine and imprisonment in the discretion of the court or jury trying the case.

**SEC. 22.** Should the courts of this State or of the U. S. declare any section or provision of this Act unconstitutional or unauthorized, or in conflict with any other section or provision of this Act, then such declaration shall affect only the section or provision so declared to be unconstitutional or unauthorized or if in conflict only such provisions or parts as are so held, and such holding shall not affect any other section or part of this Act.

**SEC. 23.** All laws and parts of laws in conflict herewith, and particularly Act 214 of the Legislature of 1912, in its entirety are hereby repealed, and this Act being necessary for the immediate preservation of the public peace, health and safety, shall be in force from and after its passage.





## CALIFORNIA.

Statutes 1917, Chapter 532, as amended  
Statutes 1919, Chapter 148.

Copy in new law attached; a few changes.

Sec. 2—(b) should read as follows:  
“All public utilities subject to the jurisdiction, control, and regulation of the railroad commission of this state.” (c) should be, “All corporations now or hereafter organized under the laws of this state for the purpose of conducting the business of banking within this state and all corporations transacting insurance business within this state;”

Sec. 2—(6) (b) should read “All bonds, debentures, and evidences of indebtedness issued by any company.”

Sec. 2—(9) (b) should read “Any trustee of a trust created by or declared in a will or a judicial writ, order, decree or judgment, who, in such capacity, lawfully disposes of any property.”

Sec. 29, as follows: “All acts and parts of acts inconsistent with the provisions of this act are hereby repealed,” should be added.

SECTION 1. This act shall be known as the “corporate securities act.”

SEC. 2. Words used in this act in the present tense include the future as well as the present; words used in the masculine gender include the feminine and neuter, and in the neuter, the masculine and feminine; the singular number includes the plural, and the plural, the singular; “writing” includes “printing” and “typewriting”; “oath” includes “affirmation”; the word “county” includes “city and county”; and “territory” includes “district.” The following words have in this act the signification attached to them in this section, unless otherwise apparent from the context:

1. The word “department” means the

"state corporation department" created by this act.

2. The word "commissioner" means the "commissioner of corporations."

3. The word "company" includes all domestic and foreign, private corporations, associations, joint stock companies, and partnerships, of every kind, and also trustees, as hereinafter defined; excepting therefrom:

(a) All Nat. Bkg. Assocs. and other Corps. organized and existing under and by virtue of the acts of the congress of the U. S.;

(b) All public utilities subject to the jurisdiction, control, and regulation of the R. R. com. of this state;

(c) All Corps. now or hereafter organized under the laws of this state for the purpose of conducting the business of banking within this state and all Corps. transacting insurance business within this State;

(d) All Corps., Assocs., or societies transacting business under the supervision, examination, and license of the bureau of building and loan supervision; and

(e) Every Corp. organized under the laws of this state exclusively for the purposes provided in any of the following titles, to wit: XIa, XII, XIIa, XIV, XXI, XXII, of Part IV, division first, of the Civil Code, and in accordance with the provisions of such titles.

4. The word "trust" as used in this act includes all voluntary trusts, as the same are defined in the Civil Code, expressly created by or declared in an instrument in writing, other than a will or a judicial writ, order, decree, or judgment, to carry on any business or to secure the payment or repayment of money.

5. The word "trustee," except as hereinafter used in subdivision 9 of this Sec., includes only persons or companies executing trusts as hereinbefore defined.

6. The word "security" includes:



(a) All shares or other interests or rights into which the capital, capital stock, or property of Cos., or rights of stockholders or members thereof are divided, including all treasury shares and shares of their own capital stock purchased or otherwise acquired by Cos. upon delinquent assessment sales or in any other lawful manner, and all C't'f's. and other instruments issued by them or their authority, evidencing or representing such shares, interests, or rights;

(b) All bonds, debentures, and evidences of indebtedness issued by any Co.; and

(c) Any instrument issued or offered to the public by any Co., evidencing or representing any right to participate or share in the profits or earnings or the distribution of assets of any business carried on for profit; excepting therefrom the following:

1. Bills of exchange and promissory notes not offered to the public by the drawer, maker, or underwriter thereof, and all Mtgs. and deeds of trust of property situated in this state, executed to secure the payment thereof; and

2. Any security listed in any standard manual of information, as to which the Comr. shall first make and file his written finding to the effect that such security is fully and accurately described in such manual and that a sale thereof will not, in his opinion, work a fraud upon the purchaser thereof; *provided*, that if such finding shall thereafter be vacated or set aside, such security shall not thereafter be deemed to be included within this exception.

7. A "sale," within the meaning of this act, includes every contract by which, for a pecuniary consideration, called a price, one transfers to another an interest in property, and also an exchange, a pledge, a hypothecation, and any transfer in trust or otherwise as security for the performance of an obligation, and also any issue of any

security by a company; and the word "sell," as used in this act, includes every act by which such sale is made.

8. The word "agent" as used in this act means and includes every person or Co. employed or appointed by a Co. or a broker who shall, within this State, either as an employee or otherwise, for a compensation, sell, offer for sale, negotiate for the sale of, or take subscriptions for any security of any Co. of its own issue offered for sale by it.

9. The word "broker" as used in this act includes every person or Co. other than an agent, who shall, in this State, engage, either wholly or in part, in the business of selling, offering for sale, negotiating for the sale of, or otherwise dealing in any security or securities issued by others, or of underwriting any issue of securities or of purchasing such securities with the purpose of reselling them or of offering them for sale to the public for a Com. or at a profit; excepting therefrom the following:

(a) Any owner of any security who is not the issuer or an underwriter thereof, who sells or exchanges the same for his own account; *provided*, that such sale or exchange is not made in the course of repeated and successive transactions of like or similar character by him;

(b) Any trustee of a trust created by or declared in a will or a judicial writ, order, decree or judgment, who, in such capacity, lawfully disposes of any property;

(c) Any Co. transacting a Bkg. or Ins. business in this state, selling a security for an owner thereof or a broker, other than an underwriter thereof, at a commission of not more than 2% of the par or face value thereof; *provided*, such sale is not made in the course of repeated and successive transactions of like or similar character by such company;

(d) One, not the issuer, who disposes of securities to a broker or to a purchaser

who, as a part of his regular business, purchases such securities;

(e) Any pledge holder selling, in good faith and not for the purpose of avoiding the provisions of this act, and in the ordinary course of business, a security pledged with him as security for a bona fide debt.

10. The words "actual fraud," as used in this act, are defined in Sec. 1572 of the Civil Code.

SEC. 3. No Co. shall sell, except upon a sale for a delinquent assessment made in accordance with the provisions of Art. II of Ch. II of Title I of Part IV of Division First of the Civil Code; or offer for sale, negotiate for the sale of, or take subscriptions for any security of its own issue until it shall have first applied for and secured from the Comr. a permit authorizing it so to do. Such application shall be in writing, shall be verified as provided in the Code of Civil Procedure for the verification of pleadings, and shall be filed in the office of the Comr. In such application the applicant shall set forth the names and addresses of its officers, the location of its office, an itemized account of its financial condition, the amount and character of its assets and liabilities, a detailed statement of the plan upon which it proposes to transact business, a copy of any security it proposes to issue, a copy of any contract it proposes to make concerning the same, a copy of any prospectus or advertisement, or other description of such securities, then prepared by or for it for distribution or publication, and such additional information concerning the Co., its condition and affairs as the Comr. may require. If the applicant is a partnership or an unincorporated Assoc. or joint stock Co., it shall file with its application a copy of its articles of partnership or Assoc., and all other papers pertaining to its organization. If the applicant is a trustee, it shall file with its application a copy of all instruments

by which the trust is created and in which it is accepted, acknowledged, or declared. If the applicant is a Corp. it shall file with its application a copy of all minutes of any proceedings of its directors or stockholders or members relating to or affecting the issue of such securities, and also a copy of its Arts. of incorporation and of its by-laws and of any amendments thereto. If the applicant is a Corp. or Assoc. organized under the laws of any other state, territory, or government, it shall also file with its application a certificate, executed by the proper officer of such state, territory, or government not more than 30 days before the filing of such application, showing that such applicant is authorized to transact business in such state, territory, or government; and also, in such form as the Com. may prescribe, its written instrument, irrevocably appointing the Comr. and his successor in office its true and lawful attorney upon whom all process in any action or proceeding against it may be served, with the same effect as if said Corp. or Assoc. were organized or created under the laws of this state and had been lawfully served with process therein.

SEC. 4 Upon the filing of such application, it shall be the duty of the Comr. to examine it and the other papers and documents filed therewith, and he may, if he deems it advisable, make or have made a detailed examination audit, and investigation of the applicant and its affairs. If he finds that the proposed plan of business of the applicant is not unfair, unjust, or inequitable, that it intends to fairly and honestly transact its business, and that the securities that it proposes to issue and the methods to be used by it in issuing or disposing of them are not such as, in his opinion, will work a fraud upon the purchaser thereof, the Comr. shall issue to the applicant a permit authorizing it to

issue and dispose of securities, as therein provided, in this state, in such amounts and for such considerations and upon such terms and conditions as the Comr. may in said permit provide. Otherwise, he shall deny the application and refuse such permit and notify the applicant in writing of his decision. Every permit shall recite in bold type that the issuance thereof is permissive only and does not constitute a recommendation or endorsement of the securities permitted to be issued. The Comr. may impose such conditions as he may deem necessary to the issue of such securities, and shall have the power to establish such rules and regulations as may be reasonable or necessary to insure the disposition of the proceeds of such securities in the manner and for the purposes provided in such permit, and may, from time to time for cause, amend, alter, or revoke any permit issued by him, or temporarily suspend the rights of the applicant under such permit.

SEC. 5. No person or Co. shall act as an agent or broker until such person or Co. shall have first applied for and secured from the Comr. a C't'f., then in effect authorizing such person or Co. so to do. Every such C't'f. shall expire on the 31st day of Dec. next after its issuance, unless sooner revoked. To secure such C't'f., the applicant shall make and file in the office of the Comr. an application therefor in writing, verified by or in behalf of the applicant. In such application, the applicant shall set forth, in addition to such other information as may be required by the Comr.:

1. The name and address of the applicant, and, if it be a Corp., Assoc., or joint stock Co., the name and address of each of its managing officers and agents, and, if it be a partnership, the name and address of each of the partners;

2. A succinct statement of facts showing that the applicant, and its managing officers and agents, if it be a Corp., or members, if it be a partnership, have a good business reputation;

3. If the applicant is a broker, the general plan and character of the business of the applicant.

For filing such application, the applicant shall pay a fee as hereinafter provided. If the applicant is a Corp. or Assoc. organized under the laws of any other state, territory, or government, it shall file with its application a copy of its Arts. of Incorp. or Assoc., together with a C't'f. executed by the proper officer of such state, territory, or government not more than 30 days before the filing of such application, showing that such applicant is authorized to transact business in such state, territory, or government, and also, in such form as the Comr. may prescribe, its written instrument, irrevocably appointing the Comr. and his successor in office its true and lawful attorney upon whom all process in any action or proceeding against it, arising out of or founded upon the actual fraud of such applicant in the sale of securities within this state, may be served, with the same effect as if said Corp. or Assoc. were organized or created under the laws of this state and had been lawfully served with process therein.

SEC. 6. The Comr. shall examine such application, and shall make such further investigation of the applicant and its affairs as he shall deem advisable. If, from such examination, the Comr. shall be satisfied of the good business reputation of the applicant and of its officers or members, if any, he shall issue such C't'f. Otherwise, he shall refuse the same and deny the application and notify the applicant of his decision. The Comr. may at any time revoke any broker's or agent's C't'f. issued by him if he shall find that the holder thereof

is of bad business repute, or has violated any provision of this act, or has engaged, or is about to engage in any fraudulent transaction.

SEC. 7. No person, partnership, Assoc., or Corp. other than a broker holding a broker's C't'f., then in effect, shall issue, circulate, or publish any advertisement, pamphlet, prospectus, or circular concerning any security, to be issued by any Co., that such person, partnership, Assoc., or Corp. desires or proposes to sell, until the Co. proposing to issue such security shall have first secured from the Comr. a permit authorizing it to issue or sell such security; nor shall any Co., broker, or agent, or any other person, issue, circulate, or publish any advertisement, pamphlet, prospectus, or circular concerning any security sold or offered for sale by it, unless the name of the Co., broker, agent, or person issuing, circulating, or publishing the same shall be subscribed thereto, and a true copy thereof shall have been first filed in the office of the Comr., or deposited in a U. S. post office, properly enclosed in a sealed envelope, addressed to the Comr. at Sacramento, Cal., with the postage duly prepaid thereon; nor shall any Co., broker, agent, or any other person, issue, circulate, or publish any such advertisement, pamphlet, prospectus, or circular after notice in writing given to it by the Comr. that, in his opinion, the same contains any statement that is false or misleading or otherwise likely to deceive a reader thereof.

SEC. 8. Every Co. authorized by the Comr. to sell securities shall thereafter, at such times as it may be required by the Comr., make and file in the office of the Comr. a report, setting forth, in such form as the Comr. may prescribe, the securities sold by it under the authority of any permit issued by him, the proceeds derived

therefrom, the disposition of such proceeds, and such other information concerning its property, officers, or affairs, relating to or affecting the value of such securities, as the Comr. may require.

SEC. 9. Every broker shall, at such times as it may be required by the Comr., make and file in the office of the Comr., a true and correct statement concerning any security sold or offered for sale by such broker, showing the name and location of the principal office of the issuer of such security; the names of its managing officers, if it is a Corp., or of its members, if it is a partnership; its assets, liabilities, and issued capital stock, at the close of its fiscal year then last ended, or at a later date; its gross income, expenses, and fixed charges for the year next preceding such date, or for such time as such issuer of such security has transacted business, if for less than 1 year, and the approximate price at which such broker has sold or proposes to sell such security, together with such other information, of which the broker may have knowledge, as the Comr. may require.

SEC. 10. All papers, documents, reports, and other instruments in writing filed with the Comr. under this act shall be open to public inspection; *provided*, that if, in his judgment, the public welfare or the welfare of any Co., broker, or agent demands that any portion of such information be not made public, he may, in his discretion, withhold such information from public inspection for such time as in his judgment is necessary. The Comr. may at any time give, issue, or make public any information concerning any Co. or any contracts, stocks, bonds, or other securities sold or offered for sale within this state, if in his judgment the giving, issuing, or publishing of the same will be of public interest or advantage or will tend to prevent the fraudulent sale of such securities.



**SEC. 11.** Every order, decision, permit or other official act of the Comr., shall be subject to review, in accordance with the provisions of Ch. I of Title I of Part 3 of the Code of Civil Procedure; and any party aggrieved by any such order, decision, or permit of the Comr., may appeal therefrom to the superior court of the county of Sacramento, by serving upon the Comr., a notice of such appeal, a demand in writing for a certified transcript of all the papers on file in his office affecting or relating to such decision, and the payment of the fee therefor, within 60 days after the making of any such order, permit, or decision. Thereupon, the Comr. shall, within 10 days, make and certify such transcript, and the appellant shall, within 5 days thereafter, file the same and the notice of appeal with the clerk of said court. Upon the hearing of such appeal, the burden of proof shall lie upon the appellant, and the court shall receive and consider any pertinent evidence, whether oral or documentary, concerning the action of the Comr. from which the appeal is taken, but shall be limited to a consideration and determination of the question whether there has been an abuse of discretion on the part of the Comr. in making such order, decision, or permit.

**SEC. 12.** Every security issued by any Co., without a permit of the Comr. authorizing the same then in effect, shall be void, and every security issued by any Co., with the authorization of the Comr. but not conforming in its provisions to the provisions, if any, which it is required by the permit of the Comr. to contain, shall be void.

**SEC. 13.** Every Co. which shall directly or indirectly issue or cause to be issued any security contrary to the provisions of this act, or of the constitution of this state, or in nonconformity with a permit of the Comr. authorizing the same, or which applies the proceeds from the sale thereof, or

any part thereof, to any purpose other than the purpose or purposes, if any, specified in such permit, or to any purpose specified in such permit in excess of any amount limited in such permit to be used for such purpose, shall be guilty of a public offense and shall be punishable by a fine not exceeding \$10,000 dollars.

SEC. 14. Every officer, agent, or employee of any Co. and every other person, who knowingly authorizes, directs, or aids in the issue or sale of, or issues or executes, or sells, or causes or assists in causing to be issued, executed, or sold, any security, in nonconformity with a permit of the Comr. then in effect authorizing such issue, or contrary to the provisions of this act, or of the constitution of this state, or who, in any application to the Comr. or in any proceeding before him, or in any examination, audit, or investigation made by him or his authority, knowingly makes any false statement or representation, or who, with knowledge of its falsity, files or causes to be filed in the office of the Comr. any false statement or representation concerning such Co. or the property which it then holds or proposes to acquire, or concerning its officers or its financial condition or other affairs, or concerning its proposed plan of business, or who, with knowledge of the falsity of any such statement or representation, issues, executes, or sells, or causes to be issued, executed, or sold, any security, without first informing the Comr. of the falsity of such statement in writing, or who, directly or indirectly, knowingly applies, or causes or assists in causing to be applied, the proceeds, or any part thereof, from the sale of any security to any purpose contrary to the provisions of the permit authorizing the issue of such security, or to any purpose specified in such permit in excess of any amount limited in such permit to be used for such purpose, or who, with knowledge that any

security has been issued or executed in violation of any of the provisions of this act, sells or offers the same for sale, or who, with knowledge that any advertisement, pamphlet, prospectus, or circular concerning any security contains any statement that is false or misleading, or otherwise likely to deceive a reader thereof, issues, circulates, or publishes the same, or shall cause the same to be issued, circulated, or published, or who, in any other respect, wilfully violates or fails to comply with any of the provisions of this act, or who, in any other respect, wilfully violates or fails, omits, or neglects to obey, observe, or comply with any order, permit, decision, demand, or requirement, or any part or provision thereof, of the Comr. under the provisions of this act, is guilty of a public offense and shall be punished by imprisonment in the state prison not exceeding 5 years, or in a county jail not exceeding 2 years, or by a fine not exceeding \$5,000, or by both such fine and imprisonment.

SEC. 15. There is hereby created a state Corp. Dept. The chief officer of such Dept. shall be the Comr. of Corps. He shall be appointed by the governor and hold office at the pleasure of the governor. He shall receive an annual salary of \$5,000, to be paid monthly out of the state treasury upon a warrant of the controller. He shall within 15 days from the time of notice of his appointment take and subscribe to the constitutional oath of office and file the same in the office of the Sec. of State and execute to the people of the state a bond in the penal sum of \$10,000 with corporate security or two or more sureties, to be approved by the governor of the state, for the faithful discharge of the duties of his office.

SEC. 16. The Comr. shall employ such clerks and deputies as he may need to discharge in proper manner the duties im-

posed upon him by law. The attorney-general shall render to the Comr. opinions upon all questions of law, relating to the construction or interpretation of this act or arising in the administration thereof, that may be submitted to him by the Comr., and shall act as the attorney for the Comr. in all actions and proceedings brought by or against him under or pursuant to any of the provisions of this act. Neither the Comr. nor any of his clerks or deputies shall be interested in any Co. which shall have applied for or secured a permit to sell securities, or in any broker, or agent as a director, stockholder, officer, member, agent, or employee. Such clerks and deputies shall perform such duties as the Comr. shall assign to them. He shall fix the compensation of such clerks and deputies, which compensation shall be paid monthly, on the C't'f. of the Comr. and on the warrant of the controller, out of the state treasury. Each deputy shall, within 15 days after his appointment, take and subscribe to the constitutional oath of office, and file the same in the office of the Sec. of State.

SEC. 17. The Comr. shall at all times have the power to administer oaths and to make an examination or investigation of the books, records, accounts, and other papers, and of the business of any company, broker, or agent permitted or authorized by him to sell securities, to make dividends, to create debts, to divide, withdraw, or pay to the stockholders, or any of them, any part of its capital stock, or to increase or reduce its capital stock. In any examination, audit, or investigation made or hearing conducted by him, he shall have the power to take the testimony of any witness and to issue subpoenas requiring the attendance upon such examination, audit, investigation, or hearing in any part of the state of witnesses and the production of books, documents, and other things under their

control, and in any such case to take or cause to be taken the deposition of any witness residing within or without this state. All of the provisions of Ch. II of Title III of Part IV of the Code of Civil Procedure, relating to the means of production of evidence out of court, shall be applicable to any examination, investigation, or hearing under this act. No person shall be excused from testifying or from producing any book, document, or other thing under his control upon any such examination, audit, investigation, or hearing upon the ground that his testimony, or the book, document, or other thing required of him, may tend to incriminate him, or may have a tendency to subject him to punishment for a felony, or to a penalty or forfeiture; but no person shall be prosecuted, punished, or subjected to any penalty or forfeiture for or on account of any act, transaction, matter, or thing concerning which he shall have been so compelled to testify under oath, or to produce such documentary or other evidence; *provided*, that no person so testifying shall be exempt from prosecution or punishment for perjury if committed by him in his testimony. The authority to make or conduct any such examination, audit, investigation, or hearing including the authority to administer oaths, and to subpoena witnesses and take their testimony, may be delegated by the Comr. to any deputy or examiner appointed by him for that purpose. Such appointment shall be made by an instrument in writing, signed by the Comr., under his official seal, and upon such examination, audit, investigation, or hearing, the same shall be produced by such deputy or examiner at any time upon demand therefor.

SEC. 18. In any action or proceeding commenced or prosecuted in this state against any Corp. or Assoc. which shall have appointed the Comr. its attorney, as

provided in Sec. 3 of this act, and in any action or proceeding commenced or prosecuted in this state, arising out of or founded upon the actual fraud of any Corp. or Assoc. which shall have appointed the Comr. its attorney, as provided in Sec. 5 of this act, service of process may be made upon the Comr. In any such case, the Comr. shall forthwith forward by mail, postage prepaid, to the person designated by such Corp. or Assoc. by an instrument in writing duly executed by it and filed with the Comr., at the address stated in such instrument, or, if no such designation has been made, to the Sec. of such Corp. or Assoc. at its last known post-office address, a copy of such process; whereupon, and upon the payment of the fee herein provided for, service of such process upon such Co. shall be deemed to be complete and to be personal service upon such Corp. or Assoc., with the same effect as if said Corp. or Assoc. were organized or incorporated under the laws of this state and had been lawfully served with process therein. The certificate of the Comr., under his official seal, of such service, shall be competent and sufficient proof thereof.

SEC. 19. The Comr. shall have his principal office in the city of Sacramento, and may establish branch offices in the city and county of San Francisco, and in the city of Los Angeles, and he shall from time to time obtain the necessary furniture, stationery, fuel, light, and other proper conveniences for the transaction of the business of the department; the expenses of which shall be paid out of the state treasury on the C't'f. of the Comr. and the warrant of the controller.

SEC. 20. The Comr. shall charge and collect the following fees:

1. For filing any application for a permit to issue securities, \$10, plus—

1/20th of 1% of the amount of any excess of the aggregate value of the securi-

ties sought to be issued over \$20,000 and not exceeding \$50,000;

1/25th of 1% of such amount in excess of \$50,000 and not exceeding \$100,000;

1/50th of 1% of such amount in excess of \$100,000 and not exceeding \$500,000;

1/100th of 1% of such amount in excess of \$500,000.

The value of such securities shall be deemed to be their par or face value, if they have a par or face value; otherwise, the price at which the Co. proposes to sell or issue the same, or the value, as alleged in the application, of the consideration (if other than money) to be received in exchange therefor.

2. For filing any application for a permit or other authority to make dividends, create debts, or to divide, withdraw, increase, reduce or pay to the stockholders, or any of them, the capital stock, or any part thereof, the same amount that would otherwise be chargeable or collectible if such application were for a permit to issue securities; *provided*, that in any such case the value shall be determined by the amount of Divs. made, debts created, or capital stock divided, withdrawn, increased, reduced, or paid.

3. For filing any application for a broker's certificate, \$5.

4. For filing any application for an agent's certificate, \$1.

5. For any examination, audit, or investigation, \$10 per day or fraction thereof, if made by the Comr. or the actual amount of the salary or other compensation, not exceeding \$10 per day, paid to any deputy or other employee of the Comr., if made by a deputy or other employee, for each day or fraction thereof that such Comr., deputy, or other employee shall necessarily be absent from his office for the purpose of making such examination, audit, or investigation, plus the actual amount of traveling expenses reasonably incurred in the performance of such work.

6. For copies of papers and records not required to be certified or otherwise authenticated by the Comr., 10¢ for each folio.

7. For certified copies of official documents, orders, and other papers filed in his office; for making and mailing copies of process served upon him under the provisions of Sec. 18 of the this act, and for transcripts on appeal, 15¢ for each folio and \$1 for each certificate under seal affixed thereto.

8. For certificate of service and mailing of process served upon the Comr, under the provisions of Sec. 18 of this act, \$2.

No fees shall be charged or collected for copies of papers, records, or official documents furnished to public officers for use in their official capacity or for the reports of the Comr. in the ordinary course of distribution; but the Comr. may fix a reasonable charge for publications issued under his authority.

All fees charged and collected under this Sec. shall be paid at least once each week, accompanied by a detailed statement thereof, into the treasury of the state to the credit of a fund to be known as the "corporation commission fund," which fund is hereby created.

SEC. 21. All moneys which shall be paid into the state treasury and credited to the "corporation commission fund" are hereby appropriated to be used by the Comr. in carrying out the provisions of this act; and the controller shall draw his warrant on said fund from time to time in favor of the Comr. for the amounts expended under his direction, and the treasurer shall pay the same. The Comr., may, with the consent of the board of control, withdraw from said fund a sum not exceeding \$1,000, to be used as a revolving fund where cash advances are necessary. The Comr. must account for the sum withdrawn for said revolving fund at any



time upon demand of the board of control.

SEC. 22. The Comr. shall adopt a seal bearing the following inscription: "Commissioner of Corporations State of California." The seal shall be affixed to all writs, orders, permits, and certificates issued by him, and to such other instruments as he shall direct. All courts shall take judicial notice of said seal.

SEC. 23. The Comr. may execute in duplicate any order, finding, or permit issued by him, and each of such parts shall be deemed to be an original. An original of every such order, finding, or permit shall be retained and preserved by him in his office. Copies of all documents, orders, and permits made, executed, or issued by the Comr. and of all papers filed in his office, when certified by the Comr. under his official seal, shall be received in evidence in all cases in like manner and with the same effect as the originals. Any order or permit issued by the Comr., or a copy thereof certified by the Comr., under his official seal, to be a true copy of the original order or permit, may be recorded in the office of the county recorder of the county in which is located the principal place of business of the Co. affected thereby or in which is situated any property of such Co., and such record shall impart notice of such order or permit, and of all its provisions, to all persons. A C't'f. under the seal of the Comr., that any such order or permit has not been amended, altered, revoked, or suspended may also be recorded in the same offices and with like effect.

SEC. 24. Every official report made by the Comr., and every report, duly verified, made to him by any deputy, clerk, or other person employed by him, of any examination, audit, or investigation made by him or under his direction, and copies of such reports, certified by the Comr., shall be

prima facie evidence of the facts therein stated for all purposes in any action or proceeding wherein any Co., broker, agent, or the Comr. is a party.

SEC. 25. Neither this act nor any provision hereof shall be deemed to prohibit subscriptions for shares of a Corp. made prior to the incorp. thereof and set forth in its articles of incorp.; but such subscriptions shall be deemed to have been made and accepted upon the condition that such Corp., when incorporated, shall with reasonable diligence apply for and secure from the Comr. a permit authorizing the issue of the shares so subscribed for, in accordance with such subscriptions. The directors or trustees named in the articles of incorp. may, prior to the issue of any shares, organize by the election of a president, who must be one of their number, a Sec. and a treasurer; and such directors, or a majority of them, or such Pres. and Sec. may, in the name of and in behalf of the Corp., present an application to the Comr., as herein provided.

SEC. 26. This act, in so far as it does not add to, take from, or alter an act entitled "An act to define investment companies, investment brokers, and agents; to provide for the regulation, supervision and licensing thereof; to provide penalties for the violation thereof; to create the office of Comr. of Corps., and making an appropriation therefor," approved May 28, 1913, as amended by an act entitled "An act to amend Sec. 3 of an act entitled 'An act to define investment companies, investment brokers, and agents; to provide for the regulation, supervision and licensing thereof; to provide penalties for the violation thereof; to create the office of Comr. of Corps., and making an appropriation therefor,' approved May 28, 1913," approved June 3, 1915, shall be construed as a continuation thereof.

All decisions, orders, rules, findings, C't'f's, or permits heretofore made or is-

sued, and acts done by the Comr., shall continue in force and have the same effect as if they had been lawfully made, issued, or done under the provisions of this act.

This act shall not affect any appeal pending from any decision of the Comr., or any proceeding to which he, in his official capacity, is a party; but the same may be prosecuted or defended with the same effect as if this act had not been passed. Any examination, audit, or investigation undertaken, commenced, or prosecuted prior to the taking effect of this act may be conducted to a final determination in the same manner and with the same effect as if it had been undertaken, commenced, or prosecuted under the provisions of this act, and in the manner herein provided. No action or proceeding, either civil or criminal, or cause of action arising under any law of this state shall abate by reason of the passage of this act, but actions or proceedings may be commenced and prosecuted upon such causes in the same manner and with the same effect as if this act had not been passed.

SEC. 27. Neither this act nor any provision hereof shall apply to or be construed as a regulation of commerce with foreign nations or among the several states, except in so far as the same may be permitted under the provisions of the constitution and the acts of the congress of the U. S.

SEC. 28. If any Sec., Subsec., sentence, clause, or phrase of this act is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed this act, and each Sec., Subsec., sentence, clause, and phrase thereof irrespective of the fact that any one or more other sections, subsections, sentences, clauses, or phrases be declared unconstitutional.

SEC. 29. All acts and parts of acts in-

consistent with the provisions of this act are hereby repealed.

**NOTE.**—Attention is called to section 26 of the above act providing that the above act is a continuation of the act of 1913, as amended in 1915 (Stats. 1913, Chap. 353, as amended Stats. 1915, Chap. 609), except where inconsistent therewith. As a practical matter the above act **supercedes** the former act.

## CONNECTICUT.

(P. A. 1911, C. 293, as amended P. A. 1913,  
C. 84.)

(House Bill No. 175.)

## Chapter 84.

## AN ACT

Amending an Act concerning the Sale of  
Securities.

Be it enacted by the Senate and House of  
Representatives in General Assembly  
Convened:

SECTION 1. Section 1 of chapter 293  
of the public acts of 1911 as amended by  
chapter 84 of the public acts of 1913 is  
amended to read as follows: No shares  
or certificates of stock in any mining or  
oil corporation shall be sold or offered for  
sale until such corporation has filed with  
the bank commissioner a statement or  
certificate showing the financial condition  
of such corporation, the location of the  
mine or mines or oil properties or other  
plant or property owned by such corpora-  
tion, with, in the case of a mining or oil cor-  
poration, plans of the same, the amount of  
work done thereon, the amount of cash ex-  
pended for improvements thereon, and the  
condition of the plant and machinery con-  
nected therewith, nor until said commis-  
sioner has given permission in writing for  
such sale or offer. Such statement or cer-  
tificate shall be subscribed and sworn to  
by the president, treasurer and secretary  
of said corporation. The bank commis-  
sioner shall make such investigation of the  
affairs of said corporation as he may find  
necessary to ascertain its condition and, as  
far as he is able, the value of its securities,  
and on becoming satisfied, after such ex-  
amination, that the sale of such securities  
should be permitted, may issue to said cor-  
poration a permit, in writing, authorizing  
the sale of the same in this state. For the

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filing of such statement or certificate a fee of one hundred dollars shall be paid to said commissioner, for the use of the state, whether or not permission is granted thereon as aforesaid. The corporation filing such statement or certificate shall thereupon pay to the commissioner said fee of one hundred dollars, and shall also give such security as the commissioner shall require for the payment of the expense of making said investigation, and shall pay to said commissioner the amount of said expense on presentation of a statement thereof. Such permit, if given, shall be valid for one year from its date unless said commissioner shall, within said time, revoke the same for cause, and such permission may be renewed for a period of one year, in the discretion of the commissioner, upon payment of a fee of twenty-five dollars for each renewal.

SEC. 2. This act shall take effect from its passage.

(P. A. 1913, C. 101.)

Concerning Filing of Annual Returns by Mining and Oil Companies.

Public Acts of 1913.

### Chapter 101.

Every mining or oil corporation which has received a certificate from the commission on building and loan associations authorizing such company to sell its shares or certificates of stock in this state, shall, on or before September thirtieth in each year, file with said commissioner, upon blanks furnished by him, a statement of its assets and liabilities and such other information as may be required by said commissioner, as of June thirtieth preceding. Said statement shall be subscribed and sworn to by the president, secretary and treasurer of such mining or oil corporation, before a notary public, and shall be accompanied by a certificate from a certified public accountant as to the truth of the facts contained therein.

NOTE.—Investment companies must before selling their own stock or debentures obtain authority from the state. Gen. Stats. 1902, Secs. 2455, 2456, 2457, 2458 (as amended P. A. 1909, C. 60, Sec. 1), 2459, 2460, 2461 (as amended P. A. 1911, C. 239). So also with building and loan societies, P. A. 1903, C. 194, Secs. 41, 42 and foreign building and loan societies (P. A. 1902, Sec. 4008, as amended P. A. 1913, C. 60, Sec. 4009). See largely as to taxation Gen. Stats. 1902, Secs. 2463, 2464, 2465, as amended by P. A. 1909, C. 6083, P. A. 1907, C. 253.

## BLUE SKY LAWS.

## INDIANA.

(It is unlawful for an investment company to sell its own stock or bonds without consent from the State auditor. Burns' Annotated Statutes 1914, Sections 4963-4975.)

## BLUE SKY LAWS.

## NEW YORK.

NOTE.—As to restrictions on investment companies selling property on instalments and doing various kinds of banking, see Consol. Laws, C. 2, as amended.





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## FLORIDA

Enacted 1913 Sess. of Legislature

**SEC. 1.** Every Corp., other than municipal Corps., State and Nat. Banks, Tr. Cos., Public Utility Corps., Corps. under the jurisdiction of the Railroad Com. of Florida, and Corps. doing the business of Ins. or surety, authorized to do business by the Board of Ins. Coms. of Fla., and Corps. not organized for profit, which are now organized or which may be organized in this State which shall offer for sale within Fla., and outside of the county where such Corp. has its principal office or place of business through any Agency whatsoever, any of its stocks, bonds, debentures c't'fs, policies or other securities of any kind or character shall be known for the purposes of this act as a Domestic Investment Co. Any Corp. organized under the laws of any other State, Ter. or Country shall be known for the purposes of this act as a "Foreign Investment Co."

**SEC. 2.** Before attempting to sell or offering for sale any stocks, bonds or other securities of any kind or character to any person or persons within this State every such Inv. Co., Domestic or Foreign shall file in the office of the Compt. of the State of Florida, together with a filing fee of \$5.00, the following documents, to-wit:

A statement showing in full detail the plan upon which it proposes to transact business; a copy of all contracts, bonds, stocks or other instruments which it proposes to make with or sell to its contractors; a statement which shall show the name and location of the Inv. Co.; an itemized account of its actual financial standing, showing the amount, character and location of its property and its liabilities; and such other information touching its affairs as said Compt. may require. It shall

also file with the Compt. a copy of its Arts. of incorporation, constitution and by-laws and all other papers pertaining to its organization, all of which above papers and documents shall be verified by the oath of the Pres. of such Corp., or by some duly authorized officer of same.

SEC. 3. Every such Foreign Inv. Co. shall also file with the Compt. its written consent, irrevocable, that actions may be commenced against it in the proper court of any county in this State in which a cause of action may arise, or in which the plaintiff may reside, by the service of process upon the Compt. and stipulating that such service of process shall be taken and held in all courts to be valid and binding as personal service upon the Co. itself. Such written consent given to the Compt. by said Cos. shall be authenticated by the seal of said Foreign Inv. Co., and by the signatures of the Pres. and Sec. of the Corp., and shall be accompanied by a duly certified copy of the order of resolution of the board of directors of the said Corp., authorizing the Pres. and Sec. to execute same. When service shall be perfected in such manner upon any such Co., the same shall constitute due service of process upon such Co., and binding and effective in all respects.

SEC. 4. It shall be the duty of the Compt., together with the Atty. Gen., to examine the statements and documents so filed, and if said Compt. and Atty. Gen. may deem it advisable, they shall make or have made a detailed examination of such Inv. Co., and its affairs, which examination shall be at the expense of such Inv. Co. as hereinafter provided; and if he finds that such Inv. Co. is solvent, and that its Arts. of incorporation and Asso., its constitution and by-laws, its proposed plan of business and its contracts, contain a fair, just and equitable plan for the transaction of business, they shall issue to such Inv. Co. a statement reciting that such Co. has com-

plied with the provisions of this act, that detailed information with regard to the Co. and its securities is on file in the office of the Compt. at Tallahassee, Fla., that such Inv. Co. is permitted to do business in this State, and that such statement shall also recite in bold type that the Compt. is not required or permitted by law to recommend the securities offered for sale by such Inv. Co. But if said Compt. and Atty. Gen. find that such Arts. of incorporation or Asso., charter, constitution and by-laws, plan of business or proposed contract contain any provision that is unfair, unjust or inequitable or oppressive to any class of contractor, or if they decide from their examination of its affairs that said Inv. Co. is not solvent and does not intend in good faith to do a fair and honest business, then they shall notify said Inv. Co. in writing of their finding and it shall be unlawful for such Co. to sell or offer for sale any of its securities in this State until it shall so change its constitution and by-laws, Arts. of incorporation or Asso., its proposed plan of business and contract, and its general financial condition in such manner as to satisfy the Compt. and Atty. Gen. that it is solvent, and its Arts. of incorporation or Asso., its constitution and by-laws, its proposed plan of business and proposed contract provide for a fair, just and equitable plan for the transaction of business. Provided further that all expenses paid or incurred and all fees or charges received or collected for any examination made under these provisions of this Sec. of this act shall be reported in detail to the Compt., and a full report and record thereof made and kept.

SEC. 5. It shall not be lawful for any such Inv. Co., or any agent thereof, or any person owning or controlling any of the securities of such Co., to sell or offer for sale any of the said securities hereinbefore specified, except as provided in Sec. 1, within

Fla. until it shall have complied in all respects with the terms of this act and obtained the c't'f. of the Compt. and Atty. Gen. as provided herein.

SEC. 6. Any Inv. Co. may appoint one or more agents, but no agent shall sell or offer for sale in this State, except as provided in Sec. 1 of this act, the securities of any such Inv. Co. until he shall first register with the Compt. as agent for such Inv. Co., and for each of such registrations there shall be paid to the Compt. the sum of \$1.00. Provided the Compt. and Atty. Gen., at their discretion, shall require such Agt. or Agts. to give and file with the Compt. bond in such sums and amounts as they may deem best to the best interests of the investing public, either in their own right or on the part of the Inv. Co. whom he represents, payable to the Gov. of Fla., and conditioned that the securities he offers for sale are fair and just, and that he will save harmless, the purchaser or purchasers against any loss which may be occasioned by reason of the reliance of such purchaser or purchasers on any false or fraudulent representation made in the course of the sale of such securities. And it is hereby expressly provided that any person or persons who may have sustained an injury covered by such bond, may, in addition to any other remedy that he may have, bring suit on such bond in the name of the Gov. of Fla., for the use of such person or persons. Such registration shall entitle such Agt. to represent such Inv. Co. as its Agt. until the first of January, following, unless such authority is sooner revoked by the Compt. or the Inv. Co., and such authority shall be subject to revocation at any time by the Compt. and Atty. Gen. for cause appearing to them sufficient.

SEC. 7. Every Inv. Co., Domestic or Foreign, shall at such times as required by the Compt. and Atty. Gen., file a statement

verified by the oath of the person authorized to make the same, setting forth in such forms as may be prescribed by the Compt. and Atty. Gen. its financial condition and the amount of its assets and liabilities and furnish such other information concerning its affairs as said Compt. and Atty. Gen. may require; such statement shall be accompanied by a filing fee of \$5.00. Any Inv. Co. failing to file its report within 60 days after the written request of the Compt. and Atty. Gen. shall forfeit its right to do business in this State.

SEC. 8. Whenever it shall appear to the Compt. and Atty. Gen. that the assets of an Inv. Co. doing business in the State are impaired to the extent that such assets do not equal its liabilities or that it is conducting its business in an unsafe, inequitable, or unauthorized manner, or jeopardizing the interests of its stockholders and investors in stocks, bonds, or other securities by it offered for sale, or whenever any Inv. Co. shall fail to or refuse to file any papers, statements or documents required by this act, without giving satisfactory reasons therefor, said Compt. and Atty. Gen. shall at once revoke the license of said Inv. Co. to do any further business in Florida.

SEC. 9. Any person who shall knowingly subscribe to or make or cause to be made, any false statements or false entry in any book of such Inv. Co. or exhibit any false paper with the intention of deceiving any person authorized to examine into the affairs of such Inv. Co., or shall make, utter or publish any false statement of the financial condition of such Inv. Co. or the stock, bonds, or other securities by it offered for sale, shall be deemed guilty of a felony, and upon conviction thereof shall be fined not exceeding \$5,000.00 or imprisoned in the State prison not exceeding 5 years, or either or both in the discretion of the court.

SEC. 10. Any person or persons, agent or agents, who shall sell or attempt to sell

the stocks, bonds or other securities of any Inv. Co., domestic or foreign, when such Inv. Co. has not complied with the provisions of this act; and any Agt. or Agts. who shall sell or attempt to sell any such securities of any Inv. Co., domestic or foreign, in this State, which Agt. is not at the time fully registered and has not fully complied with the provisions of this act, shall be deemed guilty of a misdemeanor, and upon conviction thereof, shall be punished by imprisonment in the county jail not exceeding 1 year or by fine not exceeding \$1,000.00, or by both such fine and imprisonment in the discretion of the court.

Provided, That nothing in this act shall extend to any seller of stock, bond, or other security, who has purchased the same in good faith for value, and who is the bona fide owner of such stock, bond, or other security at time of such sale. \* \* \*

SEC. 12. All laws and parts of laws in conflict herewith are hereby repealed.



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## GEORGIA.

Laws 1913, page 117.

**SECTION 1.** Be it enacted by the Gen. Assembly of the State of Georgia, and it is hereby enacted by authority of same, That from and after Jan. 1, 1914, no dealer in stocks, bonds, debentures, C't's of participation, or other securities, shall in this State sell, offer for sale, invite offers for or inquiries about, such securities, by personal solicitation, letters or circulars (except to other dealers or banks) or by advertising in any newspaper, magazine or other periodical published in this State, until such dealer has filed with the Sec. of State:

(a) A statement under oath showing the name and principal place of business of such dealer, and the names, residences and business addresses of all persons interested in such securities as principals, officers, directors or trustees, including the name, residence and business address of an agent residing in this State, if any.

(b) If such dealer is non-resident, a designation or power of attorney filed with the Sec. of State, duly signed and sealed, appointing and authorizing some person who shall be a resident of this State, to acknowledge or receive service of process, and upon whom process may be served for and in behalf of such dealer, in all proceedings that may be instituted against such dealer in any court of this State or in any court of the U. S., in this State, and consenting that service of process upon any agent or Atty. appointed under the provisions of this Sec. shall be taken and held to be as valid as if served upon the dealer; and such instrument shall further provide that the authority of such Atty. shall continue until revocation of his appointment is made by such dealer by filing

a similar instrument with the Sec. of State, whereby another person shall be appointed as such Atty.: Provided, however, that the provisions of this Sec. shall not be construed to alter or amend the laws now in force in this State, relative to bringing suits and serving process on foreign Corps. doing business in this State. If any Atty. so appointed shall absent himself from this State or his usual place of business or abode, or shall secrete himself, so that process may not be served upon him, or shall have become disqualified from any cause whatever, or shall die, the Sec. of State shall immediately appoint an Atty. for service for such dealer, of which appointment notice in writing shall be immediately given by said Sec. of State to such appointee, and shall also be sent to said dealer by mail, which appointment shall be as valid as if made by said dealer, and shall continue in force until such absent agent or Atty. shall return and give to said Sec. of State written notice thereof, or until the dealer shall have made another appointment in the manner above subscribed. Service of process as aforesaid, issued by any such court, as aforesaid, upon any such Atty. appointed by the dealer or by the Sec. of State, shall be valid and binding and shall be deemed personal service upon such dealer, so long as he or it shall have any obligations or liabilities outstanding in this State, although such dealer may have withdrawn, been excluded from or ceased to do business in this State. If any dealer shall fail, neglect or refuse to appoint and maintain within this State such Atty. or agent, it shall forfeit the right to do or continue business in this State.

SEC. 2. In this Act, the term "dealer" shall mean any individual, partnership, Asso. or Corp. engaging in this State in the occupation of selling stocks, bonds, debentures, C'tf's of participation or other

securities, whether as principal or as broker or as agent.

An individual, Corp. or Asso., offering its own securities generally for sale by circular, advertising or through brokers or agents, to others than its own shareholders or members, or to others than the dealers or banks or by such means inviting offers for or inquiries about its securities, shall be considered a dealer under the terms of this Act.

SEC. 3. By an order directed to any such dealer, the Sec. of State may require such dealer, whenever he shall offer any securities in his State, except to other dealers or banks, to file with him a statement showing the security or securities so offered, and the Sec. of State may by such order, require such dealer to mail to him as soon as any copies are so mailed, or shown, to any prospective purchaser in this State, a copy of all printed or otherwise reduplicated circulars of any security or securities the dealer shall offer for sale in this State, including a copy of all advertisements thereof, inserted in any newspaper, magazine or other periodical published or exhibited in this State. The Sec. of State may limit such an order to securities of any particular class or character on which he may deem such information necessary.

SEC. 4. The Sec. of State may at any time order a dealer to file with him evidence, including an official statement of assets and earnings, copy of dealer's contract showing his compensation, or other information in relation to any security the dealer is offering for sale or inviting offers for, except to other dealers or banks, or is advertising in newspapers, magazines or other periodicals published or exhibited in this State, sufficient to show that the offering or invitation has been and is being made honestly and in good faith, and with disclosure of pertinent facts sufficient to enable intending purchasers to form a

reasonable and accurate judgment of the value of the security. For every such report so filed, the Sec. of State shall be paid a fee of \$5.00 by the dealer at the time of the filing of same. Unless such evidence is filed and is sufficient, as stated, the Sec. of State may order a dealer not to offer the security for sale or otherwise advertise it in publications or circularize it in this State.

SEC. 5. On ordering a dealer not to sell, offer for sale, circularize or advertise in such publications in this State any security, the Sec. of State must send notice to the dealer by Reg. mail, addressed to the dealer's principal place of business, stated as required under Sec. 1 of this Act, or to such address as the dealer may designate for that purpose, stating the reasons therefor. Upon receipt of such order from the Sec. of State, the dealer may apply to a Judge of the Superior Court of the Atlanta Circuit for an order addressed to the Sec. of State to show cause why said order shall not be revoked and upon such application the decision or determination of the Sec. of State as to any matters or things involved in such order may be reviewed by such judges and he may suspend the order issued by the Sec. of State pending the determination of the application, and may make such other provisions as justice may require for the summary hearing and determination thereof.

SEC. 6. A fee of \$25.00 shall be paid to the Sec. of State with the filing of the initial statement required by Sec. 1 of this Act, and a receipt shall be furnished showing that such dealer has filed the statement required by this Act; and a fee of \$1.00 shall be paid for each duplicate receipt furnished said dealer by the Sec. of State.

SEC. 7. Any dealer or agent of a dealer wilfully violating the provisions of this Act, upon conviction thereof, shall be charged guilty of a misdemeanor and be

punished in accordance with Sec. 1065, Criminal Code of Georgia 1910.

SEC. 8. Every sale or contract of sale in violation of Sec. 1 or of any order issued under Sec. 3 of this Act, shall be void and may be rescinded by the purchaser within one year, but not thereafter.

SEC. 9. The provisions of this Act shall not apply to the following classes of securities; bonds or other evidences of indebtedness of the U. S., or any foreign Gov't, of any State or Terr. of the U. S. or of any foreign Gov't, of any county, city, township, village, district or other political or taxing sub-division of any state or Terr. of the U. S. or of any foreign Gov't;

Commercial paper or evidences of indebtedness running not more than 12 months from date thereof;

Bonds, stocks or other securities of any Ins. Co. or quasi-public Corps., the issue of whose securities is regulated by a public service commission or board of any state or Terr. of the U. S. or any foreign Gov't, or Ins. Com'r. or which are approved as legal Invest. for savings banks under the laws of any state of the U. S.; first mortgages or other liens secured by first lien on real estate located within this State.

SEC. 10. If a dealer shall sell, offer for sale, invite offers for or inquiries about any securities mentioned in Sec. 9 with intent to defraud, he shall be deemed guilty of violating this Act and subject to all the penalties hereof.

SEC. 11. This Act is not intended and shall not operate to repeal any existing statutes for the regulation of any Corps., Assos., individuals or dealers engaged wholly or partly in the issuance, sale or otherwise dealing in stocks, bonds, debentures, C't'f's or participation or other securities, but all existing remedies, regulations and restrictions relating thereto are expressly reserved by the terms of this

Act, and this Act shall be cumulative thereof.

**SEC. 12.** Be it further enacted, That with the exception stated in Sec. 11, all laws in conflict with this Act be and are hereby repealed.

**NOTE.**—(For criminal penalties for unlawful sale of stocks, see Parke's Annotated Code (Penal) Secs. 628, 628a.)



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## IDAHO.

Compiled Laws, 1919, Chap. 224.

**1. Definition of Invest. Co.'s.** Every Corp., every copartnership or Co., and every Asso. (other than state and Nat. Bks., Tr. Co.'s, real estate mortgage Co.'s dealing exclusively in real estate Mtg. notes, and Corps. not organized for profit), organized or which shall be organized in this state, whether incorporated or unincorporated, which shall sell or negotiate for the sale of any stocks, bonds or other securities of any kind or character other than bonds of the U. S., the state of Idaho, or of some municipality of the state of Idaho, and notes secured by Mtgs. on real estate located in the state of Idaho, to any person or persons in the state of Idaho, other than those specifically exempted herein, shall be known for the purpose of this chapter as a domestic Invest. Co. Every such Invest. Co. organized in any other state, territory or Gov't, or organized under the laws of any other state, Terr. or Gov't, shall be known for the purpose of this chapter as a foreign Invest. Co.

**2. Documents to be filed: Fee.** Before offering or attempting to sell any stocks, bonds or other securities of any kind or character other than those specifically exempted in Sec. 1 of this chapter, to any person or persons, or transacting by-laws, and all other papers pertaining to its organization.

If it shall be an Invest. Co. organized under the laws of any other state, Terr. or Gov't, incorporated or unincorporated, it shall also file with the said bank Comr. a copy of the laws of such state, Terr. or Gov't under which it exists or is incorporated, and also a copy of its charter, articles of incorporation, constitution by-laws and all amendments thereof which

have been made and all other papers pertaining to its organization.

**3. Papers verified.** All of the above described papers shall be verified by the oath of a member of a copartnership or Co., if it be a copartnership or Co., or by the oath of a duly authorized officer, if it be an incorporated or unincorporated Asso. All such papers, however, as are recorded or are on file in any public office shall be further certified to by the officer of whose records or archives they form a part, as being correct documents hereinafter required, every such Invest. Co., domestic or foreign, shall file in the office of the bank commissioner of this state, together with a filing fee of \$2.50, the following documents, to wit:

A statement showing in full detail the plan upon which it proposes to transact business. A copy of all contracts, bonds, or other instruments which it proposes to make with or sell to its contributors. A statement which shall show the name and location of the Invest. Co., and an itemized account of its actual financial condition, and the amount of its property, and liabilities and such other information, touching its affairs as said bank commissioner may require.

If such Invest. Co. shall be a copartnership or an unincorporated Asso., it shall also file with the bank Comr. a copy of its articles of copartnership or Asso., and all other papers pertaining to its organization, and if it be a Corp. organized under the laws of Idaho it shall also file with the bank Comr. a copy of its articles of incorporation, constitution and any business whatever in this state, excepting that of preparing the copies of such records or archives.

**4. Consent of foreign Invest. Co. to be sued.** Every foreign Invest. Co. shall also file its written consent, irrevocable, that actions may be commenced against it,

in the proper court of any county in this state in which a cause of action may arise, by the service of process on the Sec. of State and stipulating and agreeing that such service of process on the Sec. of State shall be taken and held, in all courts to be as valid and binding as if due service had been made upon the Co. itself according to the laws of this or any other state, and such instrument shall be authenticated by the seal of said foreign Invest. Co. and by the signature of a member of the copartnership or Co., if it be a copartnership or Co., or by the signatures of the Pres. and Sec. of the incorporated or unincorporated Asso., if it be an incorporated or unincorporated Asso., and shall be accompanied by a duly certified copy of the order or resolution of the board of directors, trustees or managers of the Corp. authorizing the said Sec. and Pres. to execute the same.

**5. Duties of bank Comr.: Favorable and unfavorable reports.** It shall be the duty of the bank Comr. to examine the statements and documents so filed, and if said bank Comr. shall deem it advisable he shall make or have made a detailed examination of such Invest. Co.'s affairs, which examination shall be at the expense of such Invest. Co., as hereinafter provided.

If he finds that such Invest. Co. is solvent, that its articles of incorporation or Asso., its constitution and by-laws, its proposed plan of business and proposed contract contain and provide for a fair, just and equitable plan for the transaction of business, and in his judgment promises a fair return on the stocks, bonds and other securities by it offered for sale, the bank Comr. shall issue to such Invest. Co. a statement reciting that such Co. has complied with the provisions of this chapter, that detailed information in regard to the public inspection and information, that such Invest. Co. is permitted to do business in

this state, and such statement shall also recite in bold type that the bank Comr. in no wise guarantees the securities to be offered for sale by such Invest. Co.

But if said bank Comr. finds that such articles of incorporation or Asso., charter, constitution and by-laws, plan of business or proposed contract contain any provision that it is unfair, unjust, inequitable or oppressive to any class of contributors, or if he decides from his examination of its affairs that said Invest. Co. is not solvent and does not intend to do a fair and honest business, and in his judgment does not promise a fair return on the stocks, bonds or other securities by it offered for sale, then he shall notify such Invest. Co. in writing of his findings, and it shall be unlawful for such Co. to do any further business in this state until it shall so change its constitution and by-laws, articles of incorporation or Asso., its proposed plan of business and proposed contract and its general financial condition in such manner as to satisfy the bank Comr. that it is solvent, and its articles of incorporation or Asso., its constitution and by-laws, its proposed plan of business and proposed contract provide for a fair, just and equitable plan for the transaction of business and does, in its judgment, promise a fair return on the stocks, bonds and other securities by it offered for sale.

Provided that all expenses paid or incurred and all fees or charges received or collected for any examination made under the provisions of this Sec. of this chapter shall be reported in detail by the bank Comr. and a full report and record thereof made in detail.

**6. Filing documents requisite for transaction of business: Amendments.** It shall not be lawful for any Invest. Co., either as principal or agent, to transact any business, in form or character similar to that set forth in section 1 of this chapter,

except as is provided in section 2 of this chapter, until it shall have filed the papers and documents above provided for. No amendment of the charter, articles of incorporation, constitution and by-laws of any such Invest. Co. shall become operative until a copy of the same has been filed with the bank Comr. as provided in regard to the original filing of charters articles of incorporation, constitution and by-laws, nor shall it be lawful for any such Invest. Co. to transact business on any other plan than that set forth in the statement required to be filed by Sec. 2 of this Chap., or to make any contracts other than that shown in the copy of the proposed contract required to be filed by Sec. 2 of this Chap., until a written statement showing in full detail the proposed new plan of transacting business and a copy of the proposed new contract shall have been filed with the bank Comr., in like manner as provided in regard to the original plan of business and proposed contract, and the consent of the bank Comr. obtained as to making such proposed new plan of transacting business and proposed new contract.

**7. Agents.** Any Invest. Co. may appoint one or more agents, but no such agent shall do any business for said Invest. Co. in this state until he shall first register with the bank Comr. as agent for such Invest. Co., and for each of said registrations there shall be paid to the bank Comr. the sum of \$1. Such registration shall entitle such agent to represent said Invest. Co. as its agent until the 1st day of March following, unless said authority is sooner revoked by the bank Comr.; and such authority shall be subject to revocation at any time by the bank Comr. for cause appearing to him sufficient.

**8. Reports of Invest. Co's.** Every Invest. Co., domestic or foreign, shall file at the close of business on Dec. 31 and June 30 of each year, and at such other times as

required by the bank Comr., a statement verified by the oath of the copartnership or Co., if it be a copartnership or Co., or by the oath of a duly authorized officer, if it be an incorporated or unincorporated Asso., setting forth in such form as may be prescribed by the said bank Comr., its financial condition and the amount of its assets and liabilities, and furnishing such other information concerning its affairs as said bank Comr. may require. Each regular statement of Dec. 31 and June 30 shall be accompanied by a filing fee of \$2.50. Any Invest. Co. failing to file its report at the close of business Dec. 31 or June 30 of each year within 10 days of that date, or failing to file any other or special report herein required within 30 days after receipt of request or requisition therefor, shall forfeit its right to do business in this state.

**9. Accounts: How kept: Open for inspection.** The general accounts of every Invest Co., domestic or foreign, doing business in this state, shall be kept by double entry, and such Co., its copartners or managing officers, shall at least once in each month make a trial balance of such accounts, which shall be recorded in a book provided for that purpose; such trial balances and all other books and accounts of such Co. shall at all times during business hours, except on Sundays and legal holidays, be open to the inspection of stockholders and investors in said Co. or investors in the stocks, bonds or other securities by it offered for sale and to the bank Comr. and his deputies.

**10. Exam. by bank Comr.** The bank Comr. shall have general supervision and control, as provided in this chapter, over any and all Invest. Co's., domestic or foreign doing business in this state and all such Invest. Co's. shall be subject to Exam. by the bank Comr. or his duly authorized deputies at any time the bank Comr. may



deem it advisable and in the same manner as is now provided for the Exam. of state banks. The rights, powers, and privileges of the bank Comr. in connection with such Exam's. shall be the same as is now provided with reference to Exam. of state banks; and such Invest. Co. shall pay a fee for each Exam. of not to exceed \$5 for each day or fraction thereof plus the actual traveling and hotel expenses of said bank Comr. or deputy that he is absent from the capitol building for the purpose of making such Exam., and the failure or refusal of any Invest. Co. to pay such fees upon the demand of the bank Comr. or deputy while making such Exam. shall work a forfeiture of its right to do business in this state: *Provided*, That not more than two such Exam's. shall be charged for in any year: And, *Provided further*, That where Exam's. of more than one Invest. Co. in the same community shall be made the same week the actual traveling expenses of the examiner shall be pro rated between such Co's.

**11. Appointment of receiver.** Wherever it shall appear to the bank Comrs. that the assets of any Invest. Co. doing business in this state are impaired to the extent that such assets do not equal its liabilities, or that it is conducting its business in an unsafe, inequitable or unauthorized manner, or is jeopardizing the interest of its stockholders or investors in stocks, bonds or other securities by it offered for sale, or whenever any Invest. Co. shall fail or refuse to file any papers, statements or documents required by this chapter, without giving satisfactory reasons therefor, said bank Comr. shall at once communicate such facts to the Atty. Gen. and shall thereupon apply to the supreme court or to the district court where such Co. is located or is doing business, or to a judge of either of said courts for the appointment of a receiver to take charge of and wind up the business of such Invest.

Co., and if such fact or facts be made to appear it shall be sufficient evidence to authorize the appointment of a receiver and the making of such orders and decrees in such cases as equity may require.

**12. Penalty for false entry or statement.** Any person who shall knowingly or wilfully subscribe to or make or cause to be made any false statement or false entry in any book of such Invest. Co., or exhibit any false paper with the intention of deceiving any person authorized to examine into the affairs of such Invest. Co., or shall make or publish any false statement of the financial condition of such Invest. Co., or the stocks, bonds or other securities by it offered for sale, shall be deemed guilty of a felony, and upon conviction thereof shall be fined not less than \$200 nor more than \$10,000, and shall be imprisoned for not less than one year nor more than 10 years in the state penitentiary.

**13. Penalty for selling stock without compliance to act.** Any person or persons, agent or agents, who shall sell or attempt to sell the stock, bonds or other securities of any Invest. Co., domestic or foreign, or the stock, bonds or other securities by it offered for sale, who have not complied with the provisions of this chapter, or any Invest. Co., domestic or foreign, which shall do any business, or offer or attempt to do any business, except as provided in Sec. 2 of this chapter, which shall not have complied with the provisions of this chapter, or any agent or agents who shall do or attempt to do any business for any Invest. Co., domestic or foreign, in this state, which agent is not at the time duly registered and has fully complied with the provisions of this chapter, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined for each offense not less than \$100 nor more than \$5000, or by imprisonment in the county jail for not more than 90

days, or both such fine and imprisonment, at the discretion of the court.

**14. Fees to be paid into state treasury. Deputies.** All fees herein provided for shall be collected by the bank Comr. and by him shall be turned into the state treasury, and all fees so turned into the state treasury are hereby reappropriated to the bank Comr. for the purpose of paying all salaries and expenses necessary for the carrying this chapter into effect; the bank Comr. is hereby authorized to appoint such clerks and deputies as are actually and absolutely necessary to carry this Chap. into full force and effect, none of whom shall be related by blood or marriage to such bank Comrs. or to any of his deputies.

All money actually and necessarily paid out by the bank Comr. to any clerk or deputy appointed under this chapter, as salaries, or any money actually and necessarily paid out by the bank Comr., or by any clerk or deputy appointed under this chapter, for traveling or incidental expenses, shall be paid by the state treasurer out of such fees upon the state auditor's warrants, to be issued upon sworn vouchers containing an itemized account of such salaries or expenses.

**15. Application to mining Corps.** The provisions of this Chap. shall not apply to any person, Corp., or Asso. engaged in actual mining operations developing mining property within the state except as hereinafter provided and not otherwise.

**16. Report of mining Corps. to mine inspector.** All Corps., domestic or foreign, and Asso. engaged in mining operations within the state, shall during the month of June each year after the passage and approval of this Chap. file with the state inspector of mines, a report which shall be made under oath and shall contain names of each mining claim and the total number of such claims, owned, leased, or otherwise held, forming the basis for the

issue of stock C't'f's, and the number being worked and developed, and the mining district and Co. in which such property is located; the nature of the title thereof, or interest therein, whether lease holder or otherwise, the character, value and general description of all Bldgs., works, machinery, and other improvements; the total amount and description of all development work done by such Corp. or Asso.; the total sum of money or other valuable consideration given or paid out therefor; the total number of shares or C't'f's that such Corp. or Asso. is by law authorized to issue, and the different classes and the par value thereof; total number of shares of stock C't'f's set aside by such Corp. or Asso. in its treasury to sell or otherwise dispose of for the purpose of working, developing or otherwise improving the property of such Corp. or Asso.; the total number of shares of stock or C't'f's sold and the total sum of money or other consideration received therefor and the number of shares or C't'f's remaining unsold. All Corp's., domestic or foreign, and Asso. who are not now engaged in mining operations within this state, who desire to engage in mining and mining operations within this state, shall, before engaging in mining and mining operations within this state, make, execute and file such report as is above provided, and such report shall be made and filed by Corp's., domestic or foreign, and Assos. who shall be engaged in mining and mining operations within this state at the time of taking effect of this chapter.

17. **Copy of report from mine inspector.** Any person or persons may receive a copy of any such report upon the application to the state inspector of mines therefor, by paying the fees in such cases made and provided by law.

18. **Penalty for not filing mining report.** It shall be unlawful for any Corp. or Asso. to refuse, fail or neglect to make,

execute, and file the report provided for in Sec. 16 of this Chap., and upon conviction thereof such Corp. or Asso. shall be deemed guilty of a misdemeanor and punished accordingly.

**19. Penalty of false report or statement of mining Corps.** Any person, Corp. or Asso., who knowingly makes a false report to the state inspector of mines as provided by this chapter of or concerning any mining property in this state, or any person, Corp., Asso., or individual whomsoever who knowingly makes or publishes in any way whatever, or permits to be so made or published, any book, prospectus, notice, report, statement, exhibit, or other publication of or concerning the affairs, financial condition or property of any Corp., Asso., joints stock Asso., copartnership, or individual, which said book, prospectus, notice, report, statement, exhibit, or other publication, shall contain any statement which is false, shall be deemed guilty of a felony, and upon conviction thereof shall be imprisoned for not more than 10 years or fined not more than \$10,000, or shall suffer both such fine and imprisonment.

**20. Unconstitutional provisions.** Should the courts declare any Sec. of this Chap. unconstitutional or unauthorized by law, or in conflict with any other Sec. or provision of this Chap., then such decision shall affect only the Sec. or provision so declared to be unconstitutional, and shall not affect any other Sec. or part of this Chap.



## ILLINOIS.

**SECTION 1.** *Be it enacted by the People of the State of Illinois, represented in the General Assembly:* This Act shall be known as "The Illinois Securities Law."

§ 2. The words and phases used herein shall, unless the context otherwise indicates, have the following meaning:

The word "securities" shall include stocks; bonds, debentures, notes; participation c't'fs., c't'fs. of shares or interest, preorganization c't'fs. and subscriptions, c't'fs. evidencing shares in trust estates or assoc's. and profit sharing c't'fs.

The word "issuer" shall include every person and every Co., trust, partnership or assoc. incorporated or unincorporated heretofore or hereafter formed for any lawful purpose and organized under the laws of this State or any foreign state or country which shall have issued any security sold or offered for sale to any person or persons in this State.

The word "file" or "filing" within the meaning of this Act, shall mean the endorsement thereof by the Secretary of State on any statement or document received of the word "filed" followed by the month, day, year, and name of Sec. of State, for the purpose of showing that, in his opinion, the issuer, solicitor, agent, broker, dealer or owner has complied with the provisions of this Act.

§ 3. For the purposes of this Act securities are divided into 4 classes, as follows:

(1) Securities, the inherent qualities of which assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "A";

(2) Securities, the inherent qualities of which, or in the nature of one or of both parties to the sale thereof, assure their sale and disposition without the perpetration of fraud, which shall be known as securities in Class "B";

(3) Securities based on established income, which shall be known as securities in Class "C";

(4) Securities based on prospective income, which shall be known as securities in Class "D".

§ 4. Securities in Class "A" shall comprise securities:

(1) Issued by a government or governmental agency, or by any body having power of taxation or assessment;

(2) Issued by the Nat. or state bank or Tr. Co. Bldg. and loan assoc. of this State, or insurance Co. organized or under the supervision of the Dept. of Trade and Commerce of this State;

(3) Issued by any Corp. operating any public utility in any State wherein there is or was at the time of issuance thereof in effect any law regulating such utilities and the issue of securities by such corporation;

(4) Appearing in any list of securities dealt in on the New York, Chicago, Boston, Baltimore, Philadelphia, Pittsburgh, Cleveland or Detroit Stock Exchange, respectively, pursuant to official authorization by such exchanges, respectively, and securities senior to any securities so appearing;

(5) Whereof current prices shall have been quoted, from time to time for not less than 1 year next preceding the offering for sale thereof, in tabulated market reports published as news items, and not as advertising, in a daily newspaper of general circulation, published in this or in an adjoining state, including the State of Michigan, not including any trade paper or any paper circulating chiefly among the members of any trade or profession;

(6) Issued by any Corp. organized not for pecuniary profit or organized exclusively for educational, benevolent, fraternal, charitable or reformatory purposes;

(7) Being notes or bonds secured by mtg. lien upon real estate or leasehold in any state or territory of the U. S. or in the Dominion of Canada, when the mtg.



is a first mtg. on real estate, and when in case it is not a first mtg. lien or is on a leasehold, the mtg. and notes or bonds secured thereby (not including interest notes or coupons) shall each bear a legend in red characters not less than  $\frac{1}{2}$ -inch in height, indicating (1) that the mtg. is on a leasehold, if that be the case, and (2) that the mtg. is a junior mtg., if that be the case;

(8). Being a note secured by 1st. mtg. upon tangible or physical property, when such mtg. is assigned with such securities to the purchaser;

(9) Evidencing indebtedness due under any contract made in pursuance to the provisions of any statute of any state of the U. S. providing for the acquisition of personal property under conditional sale contract;

(10) Being negotiable promissory notes given for full value and for the sole purpose of evidencing or extending the time of payment of the price of goods, wares or merchandise purchased by the issuer of such notes in the ordinary course of business, and commercial paper or other evidence of indebtedness running not more than 12 months from the date of issue;

(11). Being subscriptions for the capital stock under any license issued to commissioners to incorporate a Co. under the laws of this State where no Com. or other remuneration is paid for the sale or disposition of such securities;

Securities in Class "A" and the sales thereof shall not be subject to the provisions of this Act.

§ 5. Securities in Class "B" shall comprise securities:

(1) Sold by the owner for the owner's account exclusively when not made in the course of continued and repeated transactions of a similar nature;

(2) Increased capital stock of a Corp. sold or distributed by it among its stockholders without the payment of any Com. or

expense to solicitors, agents or brokers in connection with the distribution thereof;

(3) Sold by or to any bank, Tr. Co. or Ins. Co. or Assoc. organized under any law of this State or of the U. S., or doing business in this State under the supervision of the Dept. of Trade and Commerce; or of the Auditor of Public Accounts; or by or to any Bldg. and loan Assoc. organized and doing business under the laws of this State, or any public sinking fund trustees; or to any Corp. or any dealer or broker in securities;

(4) Sold or offered for sale at any judicial, executor's or administrator's sale, or at any sale by a receiver or trustee in insolvency or bankruptcy, or at a public sale or auction held at an advertised time and place;

Securities in Class "B", when disposed of by the persons and in the manner provided by this Sec. shall not be subject to the provisions of this Act.

§ 6. Securities in Class "C" shall comprise the following:

Those issued by a person, Corp., firm, trust, partnership or Assoc. owning a property, business or industry, which has been in continuous operation not less than 2 years and which has shown net profits, exclusive of all prior charges, as follows:

(1) In the case of interest bearing securities not less than  $1\frac{1}{2}$  times the annual interest charge upon all outstanding interest bearing obligations;

(2) In the case of preferred stock not less than  $1\frac{1}{2}$  times the annual dividend on such preferred stock;

(3) In the case of common stock not less than 3% per annum upon such common stock.

§ 7. Securities in Class "C" may be disposed of, sold or offered for sale upon compliance with the following conditions, and not otherwise:

A statement shall be filed in the office of the Secretary of State:

(1) Describing the evidences of indebtedness, preferred stock or common stock intended to be offered or sold;

(2) Stating the law under which and the time when the issuer was organized;

(3) Giving a detailed statement of the assets and liabilities of such issuer and income or profit and loss statement, and giving an analysis of surplus account;

(4) Giving the names and addresses of its principal officers and of its directors or trustees;

(5) Giving pertinent facts, data and information establishing that the securities to be offered are securities in Class "C".

Such statement shall be verified by the oath of not less than 2 credible persons having knowledge of the facts. Not less than 25 copies of such statement, wholly printed or wholly typewritten, shall at the time of filing the original statement be filed with the Secretary of State. The printed or typewritten copies so filed shall bear at the top in bold faced type the expression:

"Securities in Class 'C' under Illinois Securities Law," followed by the expression, also in bold faced type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Illinois, nor any officer of the State, assumes any responsibility for any statement contained herein nor recommends any of the securities described below."

§ 8. All securities other than those falling within Class "A", "B", and "C", respectively, shall be known as securities in Class "D".

§ 9. No security in Class "D", shall be sold or offered for sale until there shall have been filed in the office of the Secretary of State, statements and documents as follows:

(1) A description and amount of the securities intended to be offered for sale;

(2) If the issuer is a Corp., a certified

copy of the charter or articles of incorporation and by-laws;

(3) If the issuer is a firm, trust, partnership or unincorporated Assoc., a copy of the articles of partnership, Assoc. or trust agreement;

(4) The names, addresses and prior occupations during a period of not less than 10 years prior to filing such statement (giving details as to time, place and address of employer and reasons for discontinuance of employment) of the officers, directors or trustees of the issuer, if it be a Corp., or of the persons composing the issuer, if the issuer be a non-incorporated association;

(5) A description of the nature of the industry engaged in or intended to be engaged in and the approximate time when such industry was or will be established;

(6) An inventory showing the assets of the issuer;

(7) An appraisalment of the assets of the issuer;

(8) A statement in detail of the gross income of the issuer and the source or sources thereof and of its operating and other expenses for a period of 12 months prior to the date of filing such statement, or for the period of the existence of the issuer if less than 2 years prior to the date of filing;

(9) A copy of the most recent balance sheet of the issuer, showing the financial condition of the issuer at a date not more than 30 days prior to the date of filing, and giving an analysis of surplus account from inception of such issuer;

(10) A copy of the mtg., trust deed, indenture or writing securing the securities, [or] whereunder the same are issued, if any such instrument there be;

(11) A copy of the form of the securities intended to be offered;

(12) A copy of any and all subscription blanks to be used in the sale thereof, which subscription blanks shall have printed thereon, "These are speculative securities."

(13) A statement as to the manner in which the securities are to be offered and sold;

(14) If the securities be intended to be offered and sold by the issuer through solicitors, agents or brokers, an irrevocable contract executed by each such solicitor, agent or broker authorized to offer or sell such securities by or on behalf of the issuer to the effect that the issuer will receive in cash not less than 80% of the proceeds of each sale of the securities without deduction for any Com. or expenses, directly or indirectly, and without liability to pay any sum whatsoever as Com. or expenses or for services in and about such sale;

If the securities shall have been or be intended to be sold to any dealer, solicitor, agent or broker and intended to be by such dealer, solicitor, agent or broker sold to the public for their own account, a statement verified under oath, establishing that the price paid to the issuer was or will be without any fixed or contingent right in the issuer to demand or receive any additional sum on account of such securities or the sale thereof;

(15) A summary of the material facts disclosed by the preceding statements;

(16) Such other facts relative to such securities as the Sec. of State shall prescribe.

Such statements and documents shall, except as otherwise provided herein be verified by the oath of not less than 2 of the officers of the issuer, if the issuer be a Corp., or by not less than 2 members of a firm, trust, partnership or Assoc., if the issuer be non-incorporated.

The Secretary of State may require further and additional verification under the oaths of other persons.

§ 10. With the statement required to be filed in the office of the Sec. of State with reference to securities in Class "D", there

shall also be filed an inventory, in such detail as the Sec. of State shall require; showing the assets of the issuer as of a date not more than 30 days prior to the date of filing thereof. Such inventory shall be accompanied by an appraisalment made by a qualified person or persons showing the value of the assets described in such inventory. The person or persons making such appraisalment shall state in such appraisalment the character and nature of their experience and their qualifications to value such property and all the facts or considerations on the basis of which their estimate of values is predicated.

Such appraisalment shall be verified by the oath of the person or persons making the same.

§ 11. At any time, either before or after the filing of any statement required by this Act to be filed with reference to securities in Class "C" or Class "D" the Sec. of State may designate a certified public accountant to make an examination of the books, records, papers and documents of the issuer and make a report of the examination thereof to the Secretary of State. The Sec. of State shall fix the compensation of such certified public accountant in advance and shall notify the issuer thereof of the amount so fixed, which compensation shall be paid by the issuer to such certified public accountant as his compensation for making such examination.

§ 12. If the statement as to securities in Class "D" shall disclose that any of such securities shall have been or shall be intended to be issued for any patent right, copyright, trade-mark, process or good will, or for promotion fees or expenses, or for other intangible assets, the amount and nature thereof, shall be fully set forth, and securities issued in payment of such patent right, copyright, trade-mark, process or good will, or for promotion fees or expenses, or for other intangible assets, shall

be delivered in escrow to such bank or trust company as shall be designated by the Sec. of State under an escrow agreement that the owners of such securities shall in case of dissolution or insolvency not participate in the assets of the corporation until after the owners of all other securities have been paid in full. Such escrow agreement shall remain in full force until the securities of the issuer thereof are qualified under Class "C" hereof.

§ 13. If the statement as to securities in Class "D" discloses that such securities are intended to be offered or sold by the issuer, through a solicitor, agent or broker, a statement giving the names, residences, qualifications, occupations, and business experience of such solicitor, agent or broker, for a period of 10 years prior to the filing, and the name and address of each employer, the period of employment and reason for resignation or discharge, shall be filed in the office of the Sec. of State. The signatures of each and every of such solicitors, agents or brokers, shall be attached to such statement. If after the filing of such statement the issuer shall appoint any additional solicitor, agent or broker to offer or sell such securities before any such additional solicitor, agent or broker, shall offer or sell any such securities, there shall be filed like statements.

§ 14. After qualification of securities in Class "D" by the issuer, any dealer or owner may sell such securities upon filing in the office of the Sec. of State, a statement verified by the oath of such dealer or owner as otherwise provided by this Act, a statement of the amount and description of the securities to be sold by him or it, the maximum price for which they are to be sold, his or its address by street and number, qualification, occupation, and business experience of such dealer or owner for a period of 10 years prior to filing such statement, giving name and address of each employer, the period of em-

ployment and the reason for resignation or discharge.

§ 15. Not less than 25 printed or typewritten copies of the summary of the statement required to be filed with reference to securities in Class "D" shall be deposited in the office of the Sec. of State. The printed or typewritten copies so deposited shall bear at the top in bold face type the expression:

"Securities in Class 'D' under Illinois Securities Law: These are speculative securities," followed by the expression, also in bold face type:

"This statement is prepared by parties interested in the sale of securities herein mentioned. Neither the State of Ill. nor any officer of the State assumes any responsibility for any statement contained herein nor recommends any of the securities described below."

§ 16. Before any securities in Classes "C" or "D" shall be sold or offered for sale the issuer or person intending to sell or offer for sale such securities shall file in the office of the Sec. of State a written irrevocable consent and power-of-attorney, that suits at law or in equity arising out of or founded upon the sale or offering for sale of any of such securities may be commenced against the Corp. or person executing such power-of-attorney in any court of competent jurisdiction within this State, in any county in which the plaintiff or complainant resides, or in which the cause of action may have arisen, by the service of process upon the Sec. of State, and therein agreeing and stipulating that such service of process upon the Sec. of State shall be taken and held in all courts to be as valid and binding, as if due service had been made upon the Corp. or person executing such power-of-attorney, according to the law of this State. Such instrument if the owner be a Corp., shall be signed by its chief executive and chief recording officer under its corporate seal, if it have



one, pursuant to a resolution of its governing body, a certified copy of which resolution shall be attached to such irrevocable consent and power-of-attorney, or if a person or a non-incorporated Assoc. then signed and acknowledged by such person or by all the members of such non-incorporated association. Whenever any process is served upon the Sec. of State, he shall at once forward a copy of the same by registered mail to the defendant at his or its last address of record in the office of the Sec. of State.

§ 17. Before filing any statement or document with reference to securities in Class "C" or Class "D" the Sec. of State shall within a reasonable time examine the same and, if the same is incomplete, inadequate, evasive or otherwise not in conformity with the provisions of this Act, or if the sale or offering for sale of securities based upon the plan or scheme evidenced by the statements and documents offered to be filed, would in the opinion of the Sec. of State work or tend to work a fraud upon the purchaser of such securities the Sec. of State shall refuse to file the same. Otherwise such statements or documents shall be filed by the Sec. of State. Upon the filing of such statements or documents by the Sec. of State, the issuer, solicitor, agent, broker, dealer or owner may proceed to sell the amount of securities proposed to be sold or disposed of in this State, but no written or printed evidence of the compliance with this Act shall be issued by the Sec. of State. The Sec. of State may, either before or after such statements and documents are filed, propound interrogatories to the persons filing, or offering to file, such statements or documents, respecting any facts required to be stated with reference to such securities. Such interrogatories shall be answered under oath. If such interrogatories relate to a statement or document offered to be filed, such statement or document shall not be filed until such

interrogatories are answered, and not then unless such statement and document and the answers to such interrogatories disclose conformity with this Act. If such interrogatories relate to a statement or document already filed, such interrogatories shall be answered within 20 days or within such further time as the Sec. of State shall prescribe. If not answered within 20 days or within any extension thereof, the sale or offering for sale of the securities covered by the statement or document to which the interrogatories relate, shall be unlawful.

§ 18. Whenever the Sec. of State refuses to file any statement or document presented under the provisions of this Act, the person presenting such statement or document for filing, may within 30 days thereafter, in the circuit court of Sangamon County, file a petition against the Sec. of State, officially as defendant alleging therein under oath and in brief detail, the plaintiff's right to sell securities in this State, and praying that the Sec. of State be required to file in his office such statement or document. The Court may make such orders and decrees as the equities and exigencies of the case may require. Judgment against the plaintiff shall be final. Judgment against the plaintiff shall not bar his right to file new statements or documents under the provisions of this Act, nor shall judgment in favor of the plaintiff prevent the Sec. of State from thereafter applying for an injunction, or otherwise proceeding, as is provided in this Act. Merely technical irregularities in the procedure of the Sec. of State shall be disregarded and the burden shall rest upon the plaintiff to prove his right to sell securities in this State.

§ 19. Every expression or statement made as an inducement to procure the filing of the information required by the provisions of this Act, either concerning Class "C" or Class "D" securities, shall be reduced to writing and verified under oath

by the person making such expression or statement:

§ 20. So long as any security is sold or offered for sale under the provisions of this Act, such person, issuer, dealer, solicitor, agent or broker shall on or before the expiration of each 6 months' period, from the date of filing the original statements and documents, and oftener if required by the Sec. of State, file new or supplemental statements disclosing:

(1) The amount of securities sold, the sale price thereof and the amount of cash proceeds received therefor by the issuer;

(2) All changes in the financial conditions of the issuer or in its management of property, accompanied by a copy of the most recent balance sheet of the issuer showing the financial condition of the issuer at a date not more than 30 days prior to the date of such filing; and such other facts as the Sec. of State may require.

Such supplemental statement shall also be accompanied by not less than 25 wholly typewritten or printed copies of such summary of such supplemental statement, which summary shall be filed in the office of the Sec. of State.

Such supplemental statement shall be verified in the same manner as the original statement.

§ 21. Each financial statement, prospectus, advertisement, circular and document circulated, published or distributed for the purpose of effecting sales of securities in Class "D" shall contain the words, in bold faced type, "Securities in Class 'D' under Ill. Securities Law. These are speculative securities." But it shall be unlawful to make any other reference in any such matter to the fact that the issuer, solicitor, agent or broker has complied with the provisions of this Act. All such matter shall also contain a statement of the assets, liabilities, income and expenses of the issuer, the law under which the issuer was incorporated, or or-

ganized, and the names and addresses of all officers, directors or trustees, of the issuer or of the owner of the property constituting the basis of the issue of such securities. A copy of each such financial statement, prospectus, advertisement, circular and document so circulated, published or distributed shall be filed in the office of the Sec. of State within 10 days after the first circulation, publication or distribution thereof. It shall be unlawful to print, publish, circulate or distribute such matter showing the earnings of other companies or corporations engaged in a similar business.

It shall be unlawful for any issuer, solicitor, agent or broker in any advertisement intended to promote the sale of securities in Class "C" to make any reference whatsoever to the fact that such issuer, solicitor, agent or broker has complied with the provisions of this Act.

§ 22. The Sec. of State shall, upon request therefor, mail or deliver to any person a copy of the summary of the statements or supplemental statements required to be deposited in his office.

§ 23. The Sec. of State may prescribe and furnish forms for all statements and documents and summaries required by this Act to be filed in his office and such statements, documents and summaries shall follow substantially the forms so prescribed.

§ 24. In case any statement or document filed in the office of the Sec. of State shall, in the judgment of the Sec. of State, in any material part thereof be inadequate, insufficient or not in compliance with this Act, or in case the plan or scheme disclosed by such statements or documents so filed, would, in the judgment of the Sec. of State, work or tend to work a fraud upon the people, or if it shall be made to appear to the Sec. of State, by complaint or otherwise, that the statements and documents filed with respect to any securities are false in any material particular, or if it shall be

made to appear to the Sec. of State that conditions with respect to such securities have so changed that the further sale or offering for sale thereof would tend to operate as a fraud upon the people, or that any of the terms and provisions of this Act, are not compiled with, the Sec. of State shall, in the name of the people of the State of Ill., through the Attorney-General, apply for an injunction in any court of competent jurisdiction to restrain the further sale of such securities. The court may grant a temporary injunction and may make such orders and decrees, from time to time, as the equities and exigencies of the case may require. The complainant shall not be required to give bond. In no case shall the Sec. of State incur any official or personal liability by instituting such injunction proceedings.

§ 25. All statements and documents and all other matters filed in the office of the Sec. of State under the provisions of this Act shall at all proper hours be available for public inspection.

§ 26. Before filing any statements required to be filed hereunder with reference to securities in Class "C" or in Class "D" the person so filing such statements shall pay in advance to the Sec. of State a fee of 1/20th of 1% of the amount of the securities to be offered for sale in this State, but in no case shall the fee be less than \$25 or more than \$300.

§ 27. All oaths required by this Act relating to securities in Class "D" shall be taken before an officer of this State, authorized to administer oaths therein.

§ 28. Whenever in this Act copies of statements or other documents are required to be furnished to the Sec. of State for distribution, additional copies as requested by the Sec. of State, shall be supplied by the parties filing the original copies or by parties interested in the disposition of such securities.

§ 29. Any solicitor, agent or broker, sell-

ing or offering to sell any securities in Class "D" without compliance with the provisions of this Act, shall be deemed guilty of a misdemeanor and upon conviction thereof, shall be punished by a fine of not less than \$100, and not more than \$5,000 for the first offense and not less than \$1,000, nor more than \$10,000 for the second or any subsequent offense, or by imprisonment in the county jail not more than 1 year or may be punished by both such fine and imprisonment, in the discretion of the Court.

§ 30. Any issuer of securities or any officer, director, trustee or agent thereof, selling or offering to sell any securities in Class "D" without full compliance with the provisions of this Act, shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$10,000 for the first offense and not to exceed \$25,000 for the second or any subsequent offense, and the officer, director, trustee or agent thereof, or the issuer (if a natural person) may be punished by imprisonment in the County jail not exceeding 1 year or may be punished by both such fine and imprisonment, in the discretion of the Court.

§ 31. Any person or Corp., whether acting on his or its own behalf or on behalf of another violating any of the provisions of this Act, shall be deemed guilty of a misdemeanor and on conviction thereof shall be fined not less than \$100 nor more than \$500 for the first offense and not less than \$500, nor more than \$1,000 for the second or any subsequent offense, or imprisonment in the county jail for not more than 6 months for the first offense nor more than 1 year for the second or any subsequent offense, or shall be subject to both such fine and imprisonment, in the discretion of the Court.

§ 32. Any dealer, agent, solicitor or broker, who shall make any statement or representation not authorized by the issuer,

or any statement or representation at variance with, or not reasonably predicated upon the statements and documents filed by the issuer in the office of the Sec. of State, shall be guilty of a misdemeanor, and upon conviction thereof, shall be fined in any sum not to exceed \$1,000 for the first offense, and not to exceed \$5,000 for the second or any subsequent offense, or imprisoned in the county jail not more than 6 months for the first offense, nor more than 1 year for the second or any subsequent offense, or shall be subject to both such fine and imprisonment, in the discretion of the Court.

§ 33. Any person signing any statement, list, inventory, balance sheet or other paper or document required by any provision of this Act to be verified or sworn to, knowing any representation therein contained to be false or untrue (and the depositing of any such statement or document in the office of the Sec. of State shall be deemed *prima facie* evidence of knowledge of the falsity thereof or of any representation therein contained, and of the wilful signing of such statement or document), shall be deemed guilty of perjury and shall be subject to the penalties by the law of this State prescribed therefor.

§ 34. It shall be unlawful for any officer, director, trustee, solicitor, agent or broker of or for any issuer, knowing such issuer to be insolvent, to sell any securities issued by such issuer; and any such officer, director, trustee, solicitor, agent or broker who shall make any sale of any securities of and for any such issuer, and by reason of such insolvency of such issuer, the price paid for such securities or any part thereof shall be lost to the purchaser, shall be deemed guilty of embezzlement and upon conviction thereof shall be fined in a sum not less than \$1,000, nor more than \$10,000, or may be imprisoned in the State penitentiary for not less than 1 year nor more than 5 years, or may be both fined and imprisoned, in

the discretion of the Court. For the purpose of this section, an issuer shall be deemed insolvent whenever the aggregate of its property shall not, at a fair valuation, be sufficient in amount to pay its debts.

§ 35. Any person interested in securities in Class "D" may maintain in the name of the issuer an action at law or suit in chancery for the use of the issuer, against the solicitor, agent or broker of such issuer, jointly or severally, to recover of such solicitor, agent or broker all moneys in excess of 20% of the proceeds of the sales of securities made by such solicitor, agent or broker and not turned into the treasury of the issuer.

§ 36. It shall be unlawful for any officer, director, solicitor, broker or agent, to sell or offer for sale any securities in Class "D", in any other manner or form than specifically set forth in the information required to be filed in Sec. 9 of this Act, and any offer or sale upon any other terms or conditions other than set forth, shall be considered *prima facie* evidence that such officer, director, trustee, solicitor or agent offered or sold same for the purpose of defrauding the investor to whom such security was offered or sold.

§ 37. Every sale and contract of sale made in violation of any of the provisions of this Act shall be void and the seller of the securities so sold and each and every solicitor, agent or broker of or for such seller, who shall have knowingly performed any act or in any way furthered such sale, shall be jointly and severally liable, upon tender to the seller or in court of the securities sold, to the purchaser for the amount paid, together with his reasonable attorney's fees in any action brought to recover such amount.

§ 38. Nothing in this Act shall be construed to relieve corporations from making reports now or hereafter required by law to be made to the Sec. of State or paying the fees now or hereafter to be paid by



corporations. This Act shall not be construed to repeal any law now in force regulating the organization of Corps. in this State or the admission of any foreign Corp., but the provisions of this Act shall be construed to be additional to any provision regulating the organization of a Corp. under the laws of Ill. or the admission of a foreign Corp. to do business in this State.

§ 39. If the issuer of any securities be a foreign Corp., and such issuer shall desire to make sales of such securities under the provisions of this Act, no statement or document relating to such sales shall be filed in the office of the Sec. of State until such foreign Corp. has complied with the law regulating the admission of foreign Corps. to transact business in this State.

§ 40. No prosecution for violation of any provision of this Act shall bar or be barred by any prosecution for the violation of any other provisions of this Act or of any other statute; but all prosecutions and all civil actions to recover money or for other purposes under this Act or based upon any provision of this Act must be commenced within 5 years after the commission of the act complained of.

§ 41. The invalidity of any section or provision of this Act shall not affect the remainder thereof.

§ 42. An Act entitled, "An Act to prevent fraud in the sale and disposition of stocks, bonds or other securities sold or offered for sale within the State of Ill., by any dealer, firm, Co., Assoc. or Corp., foreign or domestic, by requiring an inspection of such stocks, bonds, or other securities and an inspection of the business of such persons, firms, Co's., Assocs. or Corps., including dealers and agents, and such regulation and supervision of the business of said persons, firms, Co's., Assocs. or Corps., including dealers and agents, as may be necessary to prevent fraud in the sale within the State, of any stocks, bonds or other securities, and providing penalties for

the violation thereof," filed June 29, 1917, in effect Jan. 1, 1918, is hereby repealed, and all other Acts and parts of Acts in so far as they conflict with this Act are hereby repealed.

It shall hereafter be unlawful for any person or Corp. to exhibit or in any wise make use of any certificate issued by the Sec. of State under any of the provisions of the Act hereby repealed for the purpose of making or in endeavoring to make any sale of securities.

This repeal shall not affect any contract rights which have arisen under the law hereby repealed, or under the administration thereof, nor invalidate any deposits in escrow or contracts entered into by the issuer of securities for the benefit or security of any person. The Sec. of State shall in all such cases proceed in all respects touching such contracts and escrows as if such law had not been repealed.

§ 43. Whereas, an emergency exists, therefore this Act shall be in force and effect from and after its passage and approval.

**INDIANA.**

(It is unlawful for an investment company to sell its own stock or bonds without consent from the State auditor. Burns' Annotated Statutes 1914, Sections 4963-4975.)



## IOWA.

As enacted at 1915 Sess. of Legislature.

**Securing permit.** SEC. 1. Every person, firm, Asso., Co. or Corp. that shall either directly or through representatives or agents, sell, offer or negotiate for sale, within this state, any stocks, bonds or other securities, shall be subject to the provisions of this act, except as herein otherwise provided; and shall, before doing or offering to do any such business in this state, be required to secure a permit of the secretary of state of the state of Iowa.

**Exemptions.** SEC. 2. The provisions of this act shall not apply to—

(a) Securities of this state, or of the U. S., or of any State or Ter. thereof, or of any foreign Gov't, or of any Dist., county, township, city, town or other public taxing Sub-Div. of any State or Ter. of the U. S., including all drainage, county, School or other municipal bonds of this state;

(b) Securities of State, Savs. or Nat. banks of any State or Ter. of the U. S., or of Tr. Cos. or building and loan Assoc. of this state, including the unsecured commercial paper of such institutions;

(c) Securities of public or quasi-public Corps., the issue of which securities is regulated by any public board or commission now or hereafter created by the laws of this state;

(d) Promissory notes and the Mtgs., contracts, collateral or other things, if any, securing the same, when said notes and securities have, in a bona fide way, been issued, given or acquired in the ordinary course of legitimate business, trade or commerce.

(e) The stock of any Corp. organized under the laws of this or any other State

or Ter. of the U. S., or of the Fed. Gov't, provided that under the laws of such State or Ter. or Fed. Gov't no capital stock of a Corp. can be legally issued unless the par value of said stock is paid for in full in either cash or property at its actual value before the issuance of such stock and where all property and any other thing given in exchange for such stock other than cash must be valued at not more than its actual cash value by some duly appointed officer or commission of such state, territory or Fed. Gov't under the laws of which such Corp. is organized and where such stock has been issued in accordance with the provisions of such laws.

(f) The sale of stocks, bonds or other securities at judicial sale or by administrators or executors.

**What to file — papers verified.** SEC. 3. Before any person, firm, Asso., Co. or Corp., subject to the provisions of this act, shall secure a permit from the Sec. of State of Iowa to sell, offer or negotiate for sale any stocks, bonds or other securities, in this state, such person, firm, Asso., Co. or Corp. shall pay to the Sec. of State of Iowa a filing fee of \$2 and an annual inspection fee of \$20 and file in the office of said Sec. of State the following papers and documents, to-wit:

1. A copy of its constitution and by-laws, or Arts. of co-partnership or Asso.
2. An itemized statement of its actual financial condition and the amount of its properties and liabilities.
3. A statement showing in full detail the plan upon which it proposes to transact business.
4. A copy of all bonds or other securities which it proposes to make with or sell to its contributors, including the price at which such stocks, bonds or other securities are to be sold or offered for sale.
5. Sample copies of all literature or ad-

vertising matter used or to be used by such person, firm, Asso., Co. or Corp.

6. A statement showing the name and location of its principal office of business and the names and addresses of its officers and directors.

7. If said person, firm, Asso., Co. or Corp. is chartered to do business under the laws of any other State or Ter. than Iowa, it shall file a copy of its charter or other instrument or documents authorizing it to do business in said State or Ter., which copy shall bear the certificate of the Sec. of State or other officer of such state having custody of such records to the effect that the same is a correct, true and complete copy of said charter or other instrument, together with the seal of such officer attached thereto, if such officer is possessed of a seal.

All of the above described papers shall be verified by the oath of the person receiving the permit, if the business is carried on by an individual, or by the oath of a member of a co-partnership or Asso., or by the Pres. and Sec. of a Corp., if the concern be incorporated; provided, however, that the Sec. of State may, if in his judgment it becomes necessary in order to prevent fraud in the sale of any stocks, bonds or other securities in this state, require of such person, firm, Asso. or Corp., or any of the officers, agents or representatives thereof, additional information in the form of reports or otherwise, duly verified.

**Fees — for filing — annual fees.** SEC. 4. If any person, firm, Asso., Co. or Corp., subject to the provisions of this act, desires to transact business in this state and does not desire to pay the annual inspection fee of \$20 by reason of the limited amount of business to be transacted, or otherwise, said person, firm, Asso., Co. or Corp. shall have the option of paying to the Sec. of State the filing fee of \$2 incident to the

cost of filing and recording said papers and documents and an inspection fee of  $1/10$  of 1% upon the face value of the securities for the sale of which application is made to the Sec. of State of Iowa; provided further, however, that any person, firm, Asso., Co. or Corp., paying the inspection fee of  $1/10$  of 1% upon the face value of the securities which it is proposed to sell within Iowa, shall not be required to pay in the aggregate more than \$20 inspection fees to the said Sec. in any one year.

**Sec. of State to keep account of fees — report to Gov. and Leg. SEC. 5.** The Sec. of State shall keep an accurate account of all moneys received from each person, firm, Asso., Co. or Corp. as filing and inspection fees under the provisions of this act, and a record of all money expended in the enforcement of the provisions of this act, and at the end of the biennial period a report shall be made to the governor and legislature showing the amount of fees received and the amount of the money expended in the administration of this act, and if from said report it shall appear that the inspection fees are in substantial excess of the cost of inspection and all expenses incidental thereto, the succeeding legislature shall then reduce the amount of said inspection fees in proportion to the amount of such excess collected hereunder.

**Resolution authorizing service of process. SEC. 6.** Every non-resident person, firm, Asso., Co. or Corp. subject to the provisions of this act shall, before receiving a C'tf. as provided for in Sec. 1 hereof, file in the office of the Sec. of State an agreement in writing signed by the person receiving the permit, if the business is to be carried on by an individual, and by the signature of a member of a co-partnership or Co., if it be a co-partnership or Co.,



and by the signatures of the Pres. and Sec. of the incorporated or unincorporated Co. or Asso., if it be a Co. or Asso., authenticated by the seal of said Co., if possessed of a seal, and shall be accompanied by a duly certified copy of the order or resolution of the boards of directors, trustees or managers of the Corp., authorizing the said Pres. and Sec. to execute the same; that thereafter service of notice of any action or process of any kind against such non-resident person, firm, Asso., Co. or Corp., growing out of the transaction of any business of said person, firm, Asso., Co. or Corp. in this state may be made on the Sec. of State of Iowa, and when so made, such service of notice or process of any kind shall be valid, binding and effective for all purposes as if served upon said non-resident person, firm, Asso., Co. or Corp. according to the laws of this or any other state, and waiving all claims or right to claim error by reason of such acknowledgment of service. Such notice or process, with a copy thereof, shall be mailed to the Sec. of State of Iowa at Des Moines, Iowa, in a registered letter addressed to him by his official title, and he shall immediately upon its receipt acknowledge service thereon on behalf of the non-resident person, firm, Asso., Co. or Corp. to which the same is directed by writing thereon, giving the date thereof, and shall immediately return such notice or process in a registered letter to the clerk of the court in which the suit is pending, addressed to him by his official title, and shall also forthwith mail such copy, with a copy of his acknowledgment of service written thereon, in a registered letter addressed to each person, firm, Asso. or Corp. who shall be named or designated as defendant in such written instrument.

**Statements examined — conditions for granting or refusing permit. SEC. 7.** It

shall be the duty of the Sec. of State to examine the statements and documents so filed in his office and secure such further information as he deems necessary, if any, and if from such examination of all papers and documents submitted to him and from such other information as he may obtain, he finds that the sale within this state of stocks, bonds or other securities by any such person, firm, Co., Asso. or Corp. would work a fraud upon the purchasers thereof, then and in that event he shall refuse to grant such permit; otherwise he shall grant such permit.

**Changes in articles or plan of business — approval of.** SEC. 8. Every person, firm, Asso., Co. or Corp. having submitted to said Sec. of State a detailed plan of its business, together with such other information required by Sec. 3 of this act, and thereafter desiring to change its Arts. of Asso. or incorporation or its proposed plan of business, or its proposed contract, the character of its securities or method of advertisement, shall, before such change is made, submit the same to the Sec. of State of Iowa, in writing, showing in full detail the new plan of transacting business, together with all changes made either in Arts. of Asso. or Corp., by-laws, plan of business, proposed contract, or in the character of securities, and if the Sec. after examination shall find that the proposed change will not work a fraud upon the purchasers of its stocks, bonds or other securities in this state, then he shall approve the same; otherwise he shall refuse to approve such change or amendment and require such a modification thereof as may be necessary to protect the people of this state against fraud, and if and in the event such person, firm, Asso., Co. or Corp. submitting such proposed change shall refuse to so modify the plan of his business, including the character of securities sold, as to conform

to the requirements of the Sec. and to the end that no fraud may be perpetrated upon the purchasers of the stocks, bonds or other securities sold in this state, then said Sec. shall be required and he is hereby directed to cancel the permit of said person, firm, Asso., Co. or Corp., and said person, firm, Asso., Co. or Corp. shall be denied the right to transact business in this state, unless and until said person, firm, Asso., Co. or Corp. shall so modify and change its business that the transaction of business in this state will not work a fraud upon the purchasers thereof.

**Annual report filed — when — pay annual fee.** SEC. 9. Every person, firm, Asso., Co. or Corp. doing business within this state pursuant to the provisions of this act shall, on or before Dec. 31st of each year, or at such time as they make their annual statement to their directors, but not less than once each year, file with the Sec. of State a statement properly verified by the officers of said Co., if a Co. or Corp., or by a member of a partnership, if a firm or co-partnership, or by the owner of said business, if the same is transacted by an individual, which statement shall set forth its financial condition, the amount of its assets and liabilities and such other information concerning its financial affairs or its plan of business, including the character of securities sold, as the Sec. may require in order to determine whether said person, firm, Asso., Co. or Corp. is doing a legitimate and honest business within this state. Said statement shall be for the information of the Sec., the Atty.-Gen. or any public officer who may be interested in an official way in receiving said information and shall not be open to public inspection, nor shall it be published or used for private purposes, but may be used in an official, legitimate way if need be. Said annual statement shall be accompanied by an annual

inspection fee of \$20 for the year next succeeding; provided, however, that any person not desiring to pay the annual inspection fee of \$20 may pay the inspection fee of 1/10 of 1% on the amount of securities proposed to be sold as provided under the terms and conditions set forth in §§ 3 and 4 of this act.

**Failure to file annual report — penalty — collection of.** SEC. 10. Any person, firm, Asso., Co. or Corp. failing to file said statement for the preceding year, or failing to pay the inspection fee as provided by this act, shall, in addition to the criminal punishment otherwise imposed in this act, be liable to a penalty of \$10 per day for each and every day which said person, firm, Asso., Co. or Corp. transacts business in this state in violation of the provisions of this act. Said penalty may be collected by a suit in the name of the state of Iowa upon the relation of the Atty.-Gen., instituted in any court of competent jurisdiction, and when collected shall be paid over to the Sec. of State who shall cover the same into the general revenues of the state.

**Accounts how kept — subject to examination — fees for.** SEC. 11. The general accounts of every person, firm, Asso., Co. or Corp. doing business in this state pursuant to the provisions of this act shall be kept in a businesslike and intelligent manner and in sufficient detail that the Sec. of State can ascertain at any time upon inspection and examination its financial condition, and any person, firm, Asso., Co. or Corp. engaged in the business of buying or selling stocks, bonds or other securities and subject to the provisions of this act, shall keep its books of account during business hours, except Sundays and legal holidays, open to its members, stockholders and investors and to the Sec. or his duly authorized agents or representatives, and the said Sec. shall have the right

to make an examination and inspection of the books, accounts and financial condition of any such person, firm, Asso., Co. or Corp. engaged in the business of dealing in stocks, bonds and other securities pursuant to the provisions of this act. The right, powers and privileges of the Sec. in connection with such examination shall be the same as is now provided with reference to examination of State and Savs. Banks, and such person, firm, Asso., Co. or Corp. so examined shall pay a fee to the Sec. for each of such examinations not to exceed \$6 per day, or fraction thereof, spent by said Sec. or his duly authorized representative while absent from the seat of Gov't in making such examination, and shall further pay the actual traveling and hotel expenses of said examiner. Upon failure or refusal of any person, firm, Asso., Co. or Corp. to pay the fees required by this act, upon the demand of the Sec. or his duly authorized representative, the Sec. may suspend its right to sell, offer or negotiate for sale any of its stocks, bonds or other securities in this state until such fee or fees are paid.

**Permit cancelled — when.** SEC. 12. If from such examination it shall appear that said person, firm, Asso., Co. or Corp. is doing an illegitimate and fraudulent business in this state, that its plan of business is fraudulent or that the sale of its stocks, bonds, or other securities would work a fraud upon the purchasers in this state, said Sec. of State shall have the right to cancel the C't'f. of such person, firm, Asso., Co., or Corp., and deny it the right to further transact business in this state until it changes its plan of business, including the character of its securities, so that the citizens and residents of this state or others dealing with it therein shall not be defrauded thereby.

**Fees accounted for.** SEC. 13. All fees herein provided for shall be collected by the Sec. of State and by him covered into the State Treas. on the first secular day of each month; \* \* \*

**Bona fide owner of stocks — may sell — conditions.** SEC. 14. Nothing in this act shall be construed as to prohibit a bona fide owner of any stocks, bonds or other securities from selling, exchanging or otherwise disposing of the same when not made in the course of continuing or repeated transactions of a similar nature, or when said securities, including negotiable promissory notes, have been issued or given for goods, wares or merchandise purchased or dealt in by the issuer in the ordinary course of his business, or when sold, exchanged or otherwise disposed of to a bank subject to governmental supervision, Tr. Co., Ins. Co., building and loan Asso., or to a person who has duly received a permit to transact business within this state pursuant to the provisions of this act, provided that the same are sold by said owner in good faith and not for the purpose of evading the provisions of this act; and the Sec. of State may authorize in writing any such bona fide owner of any stocks, bonds, or other securities to sell in this state any other securities not included in the provisions set forth in the preceding portion of this Sec.; provided said securities were acquired and held by the owner in good faith and not for the purpose of evading the provisions of this act, but before such authorization shall issue for the sale of such additional securities, the owner of such securities shall register in a book kept for such purpose by the Sec. a list of the stocks, bonds and other securities desired to be sold giving the character of the security, the par value thereof, the price at which such securities are to be sold, the date of issue and any other data concern-

ing the same which the Sec. may require in order to determine whether or not the sale thereof will work a fraud upon the purchaser; and provided further that the said Sec. may, if he have reason to believe said securities will work a fraud upon the purchasers thereof, require the owner to file in his office a bond in the penal sum of not to exceed \$5,000 running to the State of Iowa, conditioned that said owner thereof will not in the sale and disposition of said securities, knowingly make any false or fraudulent representations concerning the nature and character of such securities. Such owner shall pay to the Sec. an inspection fee as is provided for in § 4 of this act.

**Form of permit.** SEC. 15. Each and every C'tf. granted by the Sec. of State under the provisions of this act shall be in substantially the following form:

"This is to certify that the.....  
.....has this date been given permission to sell \$...... of its.....  
stocks, bonds or securities within the state of Iowa.

**The Sec. of State Does Not Recommend the Purchase of This or Any Other Security.**

Dated at Des Moines, Iowa, this.....  
day of .....

IN WITNESS WHEREOF, I have hereunto affixed the corporate seal of the Sec. of State.

.....  
(Seal) ..... Sec. of State."  
\* \* \* \* \*

Any person, firm, Asso., Co. or Corp. that makes any reference in any statement, advertisement or printed matter to the fact that a permit has been received from the Sec. of State to transact business in this state shall, with equal prominence, state in the same circular, advertisement or printed matter that "THE SECRETARY

OF STATE DOES NOT RECOMMEND THE PURCHASE OF THE SECURITY OF THIS OR ANY OTHER COMPANY."

**Agents—license for—how secured.**

SEC. 16. Every person, firm, Asso., Co. or Corp. that has received a permit to transact business in this state and desires to appoint agents or representatives shall cause said agent or representative to register with the Sec. of State and file with said officer his written appointment and authority to represent said person, firm, Asso., Co. or Corp. as its agent in this state and receive from said Sec. a C't'f. showing that the principal represented by said agent or representative has complied with the provisions of this act and received a C't'f. to do business. All such C't'f's. shall be subject to revocation by the Sec. if upon examination or investigation the Sec. finds that the agent is misrepresenting the kind and character of securities, the nature of the business or is thereby, or otherwise defrauding the people of this state, in the sale of stocks, bonds or other securities. All such C't'f's., unless sooner revoked, shall expire on the first day of July of each year. A charge of \$1 shall be made by the Sec. for each C't'f. issued to such agent.

**Brokers—fees for—give bond. SEC.**

17. The Sec. may issue to any broker, or dealer in stocks, bonds or other securities, an annual permit, which permit shall entitle such stock broker or dealer to sell, offer or negotiate for sale any stocks, bonds or other securities within this state, except those stocks, bonds or other securities, the sale of which would work a fraud upon the purchaser; provided, however, that such stock broker or dealer shall file on the 1st and 15th day of each month a detailed list of the stocks, bonds or other securities on hand for sale or listed for sale by him, and also those sold by him



during the preceding  $\frac{1}{2}$  month and not previously reported; provided further, that the Sec. shall refuse to grant a permit, or shall cancel a permit previously granted, to any such stock broker or dealer when he finds by investigation or otherwise that such stock broker or dealer is selling or offering for sale within this state any stocks, bonds or other securities which would work a fraud upon the purchasers thereof. In order that the Sec. may determine the nature and kind of securities to be sold and the character of the applicant, he is authorized to make investigation as otherwise provided herein, the expenses incurred thereby to be paid as provided in § 11 of this act. The applicant shall also pay a fee of \$50 to the Sec. for each of said annual permits, which permit, unless sooner revoked by the Sec., shall expire on the first secular day of July of each year. If said permit is issued after the first of Jan. of any year, the fee shall be reduced one-half. Before being granted such permit by the Sec. the stock broker or dealer shall give a bond in the penal sum of \$5,000 to the state of Iowa, conditioned upon a strict compliance with this act which bond shall be approved by the executive council and filed with the Sec. of State. Said bond shall be forfeited by a violation of the terms or conditions of this act, or by a conviction for such violation, and the Atty.-Gen. of this state may institute suit in the name of the state of Iowa in any court of competent jurisdiction for a forfeiture thereof at any time within 2 years from the time the cause of action accrues; provided that if it appears such violation was not intentional and no fraud was shown then only so much of said bond shall be forfeited as shall be equal to the amount of damages sustained.

**Appeal to executive council — when and how made.** SEC. 18. Any person,

firm, Asso., Co. or Corp. that is denied a C't'f. to transact business in this state, or whose C't'f. is cancelled pursuant to the provisions of this act shall have the right to appeal to the executive council of Iowa from any decision of the Sec. of State affecting a substantial right under the provisions of this act within 20 days from the entry or the pronouncement of the decision of said Sec. by serving notice of such appeal upon the Sec. of the executive council. Such appeal shall be heard and determined by the executive council under such rules and regulations as they may prescribe giving full notice and opportunity to be heard by all persons interested therein.

Any person, firm, Asso., Co. or Corp. perfecting said appeal to said executive council, may upon receiving an adverse decision by said executive council, appeal to the Dist. Court at the seat of Gov't, by the service of a written notice of appeal on the Atty.-Gen., and thereupon the cause may be docketed and the case may be tried in the Dist. Court as a special equitable action by the filing of such transcript and such pleadings as the court may prescribe in order that an intelligent hearing may be had and a just decision rendered thereon free from any technical objections or irregularities in the matter of procedure or the introduction of evidence.

**Supersedeas in appeal—when and how.**  
SEC. 19. A supersedeas may be had by any person denied a permit to do business in this state and who has thereafter perfected an appeal by the execution and filing of a penal bond to the state of Iowa for the use and benefit of the state of Iowa for any costs or damages incurred by reason of said appeal and for the use and benefit of any purchaser of any stocks, bonds or other securities from the appellant during the pendency of said appeal; said bond shall

be in the sum fixed by the judge of the Dist. Court to which said appeal is taken and approved by the clerk of said court, and shall provide that if the order appealed from is affirmed, the party appealing shall pay to the state all costs and damages by reason of said appeal, and shall pay to the Sec. of State for the use and benefit of any purchaser who has suffered damage by reason of the purchase of any security during the pendency of such appeal the amount fixed in said bond or so much thereof as may be necessary. It shall be the duty of the clerk of the Dist. Court to transmit a certified copy of said bond to the Sec. of State of Iowa immediately upon the filing and approval of said bond in the office of said clerk.

**Penalty for false statement. SEC. 20.** Any person, firm, Asso., Co. or Corp. subject to the provisions of this act that shall subscribe or cause to be made any false statement or false entry in any book required to be kept or relating to any business to be transacted in this state pursuant to the provisions of this act, or make or subscribe to any false statement, exhibit or paper filed with the Sec. of State of Iowa, or shall make to the Sec., his deputy, agent or representative any false or fraudulent statement concerning the proposed plan of business to be transacted, or the nature, value or character of securities to be sold in this state, or shall make to said Sec., his deputy, agent or representative any false statement as to the financial condition of such person, firm, Asso., Co. or Corp. shall be deemed guilty of a felony, and upon conviction shall be fined in the sum of not more than \$5,000 dollars, or imprisoned not to exceed 5 years in the penitentiary or reformatory, or by both such fine and imprisonment in the discretion of the court.

**Penalty for sale without permit. SEC. 21.** Any person, firm, Asso., Co. or Corp. subject to the provisions of this act that shall sell or negotiate for the sale of any stocks, bonds or other securities within this state without first paying the inspection fee and otherwise complying with the provisions of this act, or that continues to sell, offers for sale, or negotiates for the sale of stocks, bonds or other securities in this state after his C't'f. or permit to do business has been canceled by the Sec. of State, unless a supersedeas bond has been filed as and according to the provisions of § 19 hereof, or that shall otherwise neglect or refuse to comply with any of the provisions of this act, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not to exceed \$5,000, or by imprisonment in the county jail not to exceed 6 months or by both such fine and imprisonment.

**False statement — misdemeanor — penalty. SEC. 22.** Any person, firm, Asso., Co. or Corp., or any agent or representative thereof, whether subject to the provisions of this act or otherwise, that sells, offers for sale or negotiates for the sale of any stocks, bonds, or other securities within this state, and knowingly makes any false representations or statement as to the nature, character or value of such security, or the amount of the earning power of such security whether in the nature of interest, dividends or otherwise, or knowingly makes any false or fraudulent representation concerning the financial condition, the assets or the property of the Co., firm or Corp. issuing said security, or knowingly makes any other false or fraudulent representation to any person for the purpose of inducing said person to purchase said security, or conceals any material fact in the advertisement or prospectus of such security for the purpose of misleading or de-

frauding the purchaser, shall be guilty of a misdemeanor and upon conviction be punished by a fine of not more than \$2,000 or by imprisonment of not to exceed 6 months in the county jail, or by both such fine and imprisonment.

**Decision of courts—effect. SEC. 23.** Should any Sec. of this act or any part thereof be held by any court of competent jurisdiction to be unconstitutional, such decision shall affect the specific provision only which it is held offends against the constitution and said unconstitutional part shall not be held to be an inducement to the passage of any other Sec. or provision of this act.



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## KANSAS

Laws 1915, C. 164, as amended March 1919.

*Be it enacted by the Legislature of the State of Kansas:*

SEC. 9458. The term "securities" as used in this act shall be taken to mean stock C't'f's, shares, bonds, debentures, C't'f's of participation, contracts, contracts or bonds for the sale and conveyance of land on deferred payments or installment plan, or other instruments in the nature thereof by whatsoever name known or called. The term "speculative securities" as used in this act shall be taken to mean and include, (1) All securities to promote or induce the sale of which, profit, gain or advantage unusual in the ordinary course of legitimate business is in any way advertised or promised; (2) All securities for promoting the sale of which a commission of more than 5% is offered or paid; (3) All securities into the specified par value of which the element of chance or hazard of speculative profit or possible loss equal or predominate over the elements of reasonable certainty, safety, and investment; (4) All securities the value of which materially depends on proposed or promised future promotion or development rather than on present tangible assets and conditions; (5) The securities of any enterprise, Asso., partnership or Corp. which has included or proposes to include in its assets as a material part thereof, patents, formulæ, goodwill, promotion, or intangible assets, or which has issued or proposes to issue a material part of its securities in payment for formulæ, patents, goodwill, promotion, or intangible assets; (6) Securities made or issued in furtherance or promotion of any enterprise or scheme for the sale of unim-

proved or undeveloped land on any deferred payments or installment plan, when such lands are not situate in Kan. and the value of such securities materially depends on the future performance of any stipulation by the promoters of such enterprise to furnish irrigation or transportation facilities, or other value enhancing utility or improvement. The term "speculative enterprise" as used in this act shall be taken to mean any business undertaking, project, venture or activity for the promotion or furtherance of which "speculative securities" as herein defined are made, issued, sold, or offered for sale.

SEC. 9459. It shall be hereafter unlawful for any person, copartnership, Asso., or Corp., hereinafter called the promoter, either as principal, or through brokers or agents, to sell or offer for sale or by means of any advertisements, circulars, or prospectus, or by any other form of public offering, of any speculative securities in this state, unless there first shall have been filed with the Bk. Comr.: (1) A copy of the securities so to be promoted; (2) A statement in substantial detail of the assets and liabilities of the person or Co. making and issuing such securities and of any person or Co. guaranteeing the same, including specifically the total amount of such securities and of any securities prior thereto in interest or lien, authorized or issued by any such person or Co.; (3) the name of the fiscal agent, if any, who it is proposed shall handle the sale of such proposed securities, together with a statement of the financial standing of such fiscal agent; (4) If such securities are secured by mtg. or other lien, a copy of such Mtg. or of the instrument creating such lien, and a competent appraisal or valuation of the property covered thereby, with a specific statement of all prior liens thereon if any; (5) A full statement of facts showing the gross and net earnings, actual or estimated, of any person or Co.

making and issuing or guaranteeing such securities, or of any property covered by any such Mtg. or lien; (6) All knowledge or information in the possession of such promoter relative to the character or value of such securities, or of the property or earning power of the person or company making and issuing or guaranteeing the same; (7) A copy of any general or public prospectus or advertising matter which is to be used in connection with such promotion, and no such prospectus or advertising matter shall be used unless the same has been filed as herein provided; (8) The names, addresses and selling territory in this state of any agents by or through whom any such securities are to be sold, and no such agents shall be employed unless such statement with respect to them has been filed hereunder, and there shall be paid to the Bk. Comr. a registration fee of \$1 for each such agent. The payment of such fee shall be payment in full of all fees for registration of such agent until and including the first day of Mar. next following; (9) The name and address of such promoter, including the names and addresses of all partners, if the promoter be a partnership, and the names and addresses of the directors or trustees, and of any person owning 10%, or more, of the capital stock, if the promoter be a Corp. or Asso.; (10) A statement showing in detail the plan on which the business or enterprise is to be conducted; (11) the Arts. of co-partnership or Asso., and all other papers pertaining to its organization, if the securities be insured or guaranteed by a co-partnership or unincorporated Asso.; (12) A copy of its charter and by-laws if the securities be issued or guaranteed by a corporation; (13) A filing fee of \$25; and in no event shall any speculative securities be sold or offered for sale until a permit shall have been issued as hereinafter provided.

SEC. 9460. Every foreign Corp. before sell-

ing or offering for sale any speculative securities, in this state shall also file its written consent, irrevocable, that actions may be commenced against it in the proper courts of any county in this state in which a cause of action may arise, by the service of process on the Sec. of State, and stipulating and agreeing that such service of process on the Sec. shall be taken and held in all courts, to be as valid and binding as if due service had been made upon the Co. itself, according to the laws of this or any other state, and such instrument shall be authenticated by the seal of said foreign Corp., and shall be accompanied by a duly certified copy of the order or resolution of the board of directors, trustees, or managers of the Corp. authorizing the said Sec. and Pres. to execute the same.

SEC. 9461. It shall be the duty of the Bk. Comr. as soon as practicable to examine the statements and documents so filed and if said Bk. Comr. shall deem it advisable, he shall make, or have made, a detailed inspection, examination, audit and investigation of the affairs of the makers or guarantors of such securities which said inspection, examination, audit, and investigation shall be at the promoter's expense, and the said Bk. Comr. shall have power and authority to call upon the makers or guarantors of such securities, or the persons seeking to or offering the same for sale, for such information as he may deem necessary, and a failure on the part of the person or persons so requested for information to furnish the same shall be considered as a withdrawal of the application for permission to sell or advertise such securities. As a part of the aforesaid inspection, examination, audit and investigation, the Bk. Comr. shall cause an appraisal to be made of the property of the maker or guarantor of such securities which appraisal shall include the value of patents, formulæ, good will,

promotion, and intangible assets, if any, and said Bk. Comr. shall furnish a complete statement and record of his inspection, examination and investigation, [together with a copy of the appraisal] aforesaid, to the said Charter Board. [The appraisal hereinbefore provided for shall be made either by the Bk. Comr. in person or by his assistants or by some one duly appointed by said Bk. Comr. to make such appraisal, and said Bk. Comr., if necessary, may appoint appraisers, not to exceed three in number, to make such appraisal, and such examiners and appraisers shall receive as compensation for their services a sum not to exceed \$15 per day for the time actually employed in such examination and necessary expenses, which compensation and expenses shall be paid by the persons, Co., partnership or Assoc. making application to such Charter Board.] The Charter Board shall within 10 days after the Bk. Comr. has made his report to it and has filed with the Sec. of said board a copy of the appraisal as hereinbefore provided for, examine such statement,] report and appraisal and shall give the promoter a hearing, if he so desire, [and said Charter Board shall have power to make an independent investigation, inspection and examination of the affairs of the promoter making such application, and shall have power to investigate the personnel of the agent or agents through whom or by whom said securities are to be handled or sold. It shall direct the Bk. Comr. to issue a permit authorizing the sale of such securities, which permit may be revoked at any time by the said Charter Board upon complaint made and after hearing as herein set out: Provided, that whenever the Co. making and issuing such securities or the Co. guaranteeing the same is a Co. whose business is under the supervision or control of one of the state departments, said permit shall not be effective

until the same shall have been approved by the head of such state department: Provided further, that upon complaint being made to the Bk. Comr., or to the Charter Board and notice being given to the Bk. Comr. of such complaint, said Bk. Comr. may forthwith suspend the order granting the permit pending a final hearing, and during such suspension no securities shall be sold or offered for sale. It shall be the duty of the Bk. Comr. upon issuing the order of suspension forthwith to notify the promoter or parties affected by such order, and to set a time and place for the hearing of such complaint by the said Charter Board, which hearing shall not be later than 30 days from the date of said order of suspension. It shall be sufficient notice to the promoter or parties interested of the complaint and of the order of suspension, if the Bk. Comr. shall mail such notice to the address of such promoter or parties interested as furnished at the time of the filing of the application. If the Charter Board, upon a full hearing, shall find that there are just grounds for the complaint made and that the promoter, agents or other parties connected with the sale of the securities as representatives of the promoter, have violated any of the provisions of this act, or the orders of the Charter Board, or of the Bk. Comr. made under the provisions of this act, and within the scope thereof, said Charter Board shall make an order canceling the permit hereinbefore granted. The said Charter Board at the time of the granting of the permit as herein provided shall determine and fix the maximum amount that may be paid as and in the way of a commission for the sale of such securities, which amount shall include the cost of advertising, office expenses and all other expenses connected with the sale of such securities: Provided, that no permit as herein set out shall be granted by the said Charter Board for the sale of any

securities where such securities are to be sold and handled on commission or for a consideration by any officer or director of the Co. handling such securities for sale, or officer or director of the Co. issuing or guaranteeing the same: And provided further, that before any permit shall issue by the Bk. Comr. under the order of the Charter Board as herein provided, all stock or securities of any kind issued or to be issued in payment of property, patents, formulæ, good-will, promotion or intangible assets shall be deposited by the person to whom they are to be issued, or by the Co. or promoter issuing them, with the Bk. Comr. of the state of Kansas, to be held by him until the securities for the sale of which the permit has been granted shall have been sold, and until there shall have been filed with the Bk. Comr. a statement under oath by the proper officer of any Co. or by the promoter, showing that the requirements made by the said Charter Board or by the Bk. Comr. have been met; that the securities have been sold only in the way provided for in this act; and that there has been a full compliance with the provisions of this act and with the orders of the Bk. Comr. or the Charter Board, or both; and if it shall appear and the board shall find that said statements are true and that there is no further reason why such promoter or Co. should continue under the control of the said Bk. Comr., or Charter Board, or both, and that no good purpose would be served by said promoter or Co. remaining under the control of said Charter Board, or Bk. Comr., or both, said Charter Board shall make an order canceling the permit theretofore issued and permitting the withdrawal of the securities held in escrow and their return to the parties depositing the same, and no assignment or transfer of such securities in escrow shall be binding upon the Bk. Comr. unless approved by the said Charter Board.

SEC. 9462. The Charter Board shall at any time have the authority and jurisdiction to investigate the affairs of any speculative enterprise, the securities of which are being sold or offered for sale in this state, and after giving the promoter a hearing, may if the evidence warrant, make any of the adverse findings enumerated in § 4 of this act, and it shall thereafter be unlawful for any person, co-partnership, Asso. or Corp. to sell, offer for sale, or by means of any advertisement, circular, or prospectus or by any other form of public offering to attempt to promote the sale of the securities of such speculative enterprise in this state.

SEC. 9463. If the Charter Board, from the statements, papers and documents on file, and from the investigation, appraisal and report of the Bk. Comr., and from evidence furnished, or from its own investigation, shall find, (1) that the makers or guarantors of such securities are insolvent, or are in failing circumstances, or are not trustworthy; (2) that the promoter's plan of business is unfair, inequitable, dishonest or fraudulent; (3) that the promoter's plan of business does not adequately secure investors against the unlawful dissipation or misapplication of the funds of the enterprise or business; (4) that the promoter's literature or advertising is misleading and calculated to deceive purchasers or investors; (5) that the securities offered or to be offered, or issued or to be issued in payment for property, patents, formulæ, goodwill, promotion or intangible assets, are in excess of the reasonable value thereof; (6) that the enterprise or business of the promoter is unlawful or against public policy; (7) or is a mere scheme of the promoter or promoters to get rich quick at the expense of the purchasers of the aforesaid securities; the said Charter Board shall reduce its findings to writing and attest the



same by the signature of the chairman and secretary thereof, and shall refuse to issue a permit to the applicant or applicants for the sale of such securities, and it shall thereafter be unlawful for the promoter or any broker or agent of such promoter to sell or offer for sale by means of any advertisement or circular or prospectus, or by any other form of public offering to attempt to promote the sale of the securities of such speculative enterprise in this state.

SEC. 9464. Any person, co-partnership, Asso. or Corp. being dissatisfied with any finding or findings of the Charter Board made in accordance with the provisions of this act, may within 30 days from the making thereof commence an action in any court of competent jurisdiction against said Charter Board as defendant, to vacate and set aside said finding or findings on the ground that the said findings are unjust or unreasonable. The rules of pleading and procedure in such action shall be the same as are provided by law for the trial of equitable actions in the Dist. Courts of this state and on the hearing the judge of said court may set aside, modify, or confirm said findings as the evidence and the rules of equity may require. Appeals may be taken from the decision of the Dist. Court to the Supreme Court by either party in the same manner as is provided by law in other civil actions. Pending any such action, the said findings of said Charter Board shall be *prima facie* evidence that they are just and reasonable and that the facts found are true, and pending any such action the said finding of the Charter Board shall remain in full force and effect. If no action be brought to set aside said findings within 30 days, the same shall become final and binding.

SEC. 9465. No amendment of the charter, Arts. of incorporation, constitution or by-

laws of any such Corp. or the articles of Asso. or by-laws of any unincorporated Asso. subject to this act, shall become operative until a copy of the same has been filed with the Bk. Comr. as provided in regard to the original filing of charters, Arts. of incorporation, or Asso., constitution and by-laws, and it shall be unlawful for any such person, co-partnership, Asso. or Corp. to transact business on any other plan than that set forth in the statement required to be filed by § 2 of this act, or to make, issue, sell or offer for sale be filed by § 2 of this act, until a written statement showing in full detail the proposed new plan of transacting business and a copy of the proposed new "security" or "securities" shall have been filed with the Bank Com., in like manner as provided in regard to the original plan of business and proposed "security" or "securities."

SEC. 9466. The provisions of this act shall not apply to (a) Securities of the U. S.; or any foreign Gov't; or of any State or Ter.; or of any county, city, township, Dist. or other public taxing Sub-Div. of any State or Ter. of the U. S. or any foreign Gov't. (b) Securities of public or quasi-public Corps., the issues of which are regulated by the Public Utilities Commission of Kans., or by the public service commission or board of similar authority of any State or Ter. of the U. S.; or securities senior thereto. (c) Securities of State or Nat. Banks or Tr. Cos, Mtg. Cos dealing exclusively in *bona fide* Mtgs. on farm and city real estate, or Building and Loan Asso.s authorized by the Charter Board to do business in this state. (d) Securities of any domestic Corp. organized without capital stock, for religious, charitable or reformatory purposes.

SEC. 9467. The general accounts of every person, co-partnership, Asso. or Corp., is-

suings or guaranteeing any securities subject to the provisions of this act, shall be kept in a businesslike and intelligent manner and in sufficient detail so that the Bank Com. or his authorized representative can ascertain at any time the financial condition of such person, co-partnership, Asso. or Corp., and the books of account and affairs of any such person, co-partnership, Asso. or Corp., shall be subject to examination by the said Bk. Comr. or upon his direction by his assistants, accountants or examiners, at any time said Bk. Comr. shall deem it advisable, and in the same manner as is now provided for the examination of state banks; and such person, co-partnership, Asso. or Corp. shall pay a fee for each of such examinations, of not to exceed \$15 for each day or fraction thereof, plus the actual traveling and hotel expenses of said Bk. Comr., assistant, accountant, or examiner, that he is absent from the capital of the state for the purpose of making such examination. And it is provided further, that every person, co-partnership, Asso. or Corp. making or guaranteeing any securities subject to the provisions of this act, shall file at the close of business Dec. 31st, Mar. 31st, June 30th, and Aug. 31st, of each year, and at such other times as may be required by the Bank Com., a statement, certified by the oath of some person having actual knowledge of the facts therein stated, setting forth, in such form as may be prescribed by said Bk. Comr. the financial condition, amount of property and liabilities of such person, co-partnership, Asso. or Corp. and such other information as said Bk. Comr. may require. Each statement shall be accompanied by a filing fee of \$2.50. It shall be unlawful for any person, partnership, Asso., or Corp. subject to the provisions of this act, failing or refusing to comply with the provisions of this § within 10 days after

compliance is required, to thereafter sell or offer for sale in this state any speculative stock which said person, partnership, Asso. or Corp. is selling or offering for sale in this state.

SEC. 9468. The Bk. Comr. shall have power upon reasonable notice either upon his own initiative or upon complaint of any responsible person, to make or have made such special inspection or investigation as he may deem necessary, in connection with the promotion, sale, disposal, or offering for sale or disposal in this state, of any C't'f's, shares, stocks, bonds, securities, contracts, or contracts or bonds for deeds, to determine whether the same constitute a violation of this act or any other statute of this state, by any individual, co-partnership, Corp., or Asso., promoting, offering, selling or pledging the same; and the state Bk. Comr., his assistants or deputy shall have the power to issue subpoenas and process compelling the attendance of any person and the production of any papers or books for the purposes of such investigation and examination, and shall have power to administer an oath to any person whose testimony may be required on such examination or investigation; and any person who shall refuse to obey any such subpoena or make answer to any competent and material question propounded to him by the State Bk. Comr. shall upon conviction in any court of competent jurisdiction be deemed guilty of a misdemeanor, and fined in any sum not exceeding \$500 or be punished by confinement in the county jail for not more than 90 days, or by both such fine and imprisonment. Upon the conclusion of any such investigation, the Bk. Comr. may make findings of fact touching the matter or matters under investigation, and such findings shall be *prima facie* evidence of the truth of the matters therein found by the Bk. Comr. in any action,

**KENTUCKY**

Any investment company selling securities on the partial payment plan or any other plan of payment in Kentucky is subject to the provisions of Carroll's Kentucky Statutes 1915, C. 72b, Section 2223 b.



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## LOUISIANA.

(1912; Act No. 40).

SECTION 1. Be it enacted by the General Assembly of the State of Louisiana, That every itinerant or traveling agent engaged in the sale of stocks or bonds of any corporation, whether organized in this State or any State or Territory, shall before being permitted to make any such sales, procure from the Secretary of State, at a cost of one dollar a written certificate of permission, which shall entitle him to procure from the sheriff of the parish, in which he proposes to engage in such sale, a license to do so, which license is hereby fixed at the sum of five dollars per annum, and any such agent who engages in such sales, before securing such certificate of permission and before payment of such license in each parish in which he operates, shall be deemed guilty of a misdemeanor and punished as hereinafter provided.

SEC. 2. Be it further enacted, etc., That each and every itinerant or traveling agent so engaged in the sale of such stock or bonds before securing such certificate of permission as aforesaid, shall file with the Secretary of State a sworn statement giving his name, residence and the name and kind of bonds or stock which he proposes to sell, with the par value thereof, as well as a full statement of the domicile and offices of the corporation whose bonds or stock he proposes to sell, and shall therein declare the market value of such bonds or stock with a brief statement of the property owned by such corporation with its location and any such itinerant or traveling agent who shall make any false statement in said affidavit shall be deemed guilty of perjury and prosecuted as such.

SEC. 3. Be it further enacted, etc., That

each of such itinerant or traveling agents shall before securing such certificate of permission, or procuring of any license or making any sales of stock and bonds as hereinbefore referred to give bond in any sum not less than fifteen thousand dollars filed by the Secretary of State, and payable to him which bond shall be furnished by a surety company and approved by the Secretary of State and the same shall be conditioned that he will make no false statement, or misapprehension of facts in making such sales of said stock or bonds, the same to continue in full force for a period of two years from date, and any purchaser of stock or bonds from such agent shall have a right of action on this bond to recover any damages caused by any false statement or misrepresentation made by such agent in any sale of such stock or bonds to be recovered before any court of competent jurisdiction in the parish where the sale is made.

SEC. 4. Be it further enacted, etc., That any such itinerant or traveling agent engaged in the sale of such stock or bonds who shall make any false statement, false representations, or false promise in order to induce any person to buy such bonds or stock and a purchase is made relying thereon, shall be deemed guilty of misdemeanor and on conviction shall be punished as hereinafter provided.

SEC. 5. Be it further enacted, etc., That each certificate of permission and license shall designate the name of the company whose bonds or stocks are being sold under it, as well as the name of the person to whom it is issued and for each separate company or stocks and bonds represented, a separate bond shall be filed and separate certificate of permission and license obtained, and any agent who shall use or attempt to use any certificate of permission or license for the sale of stock and bonds not designated therein and not issued to him shall be deemed guilty of a misde-

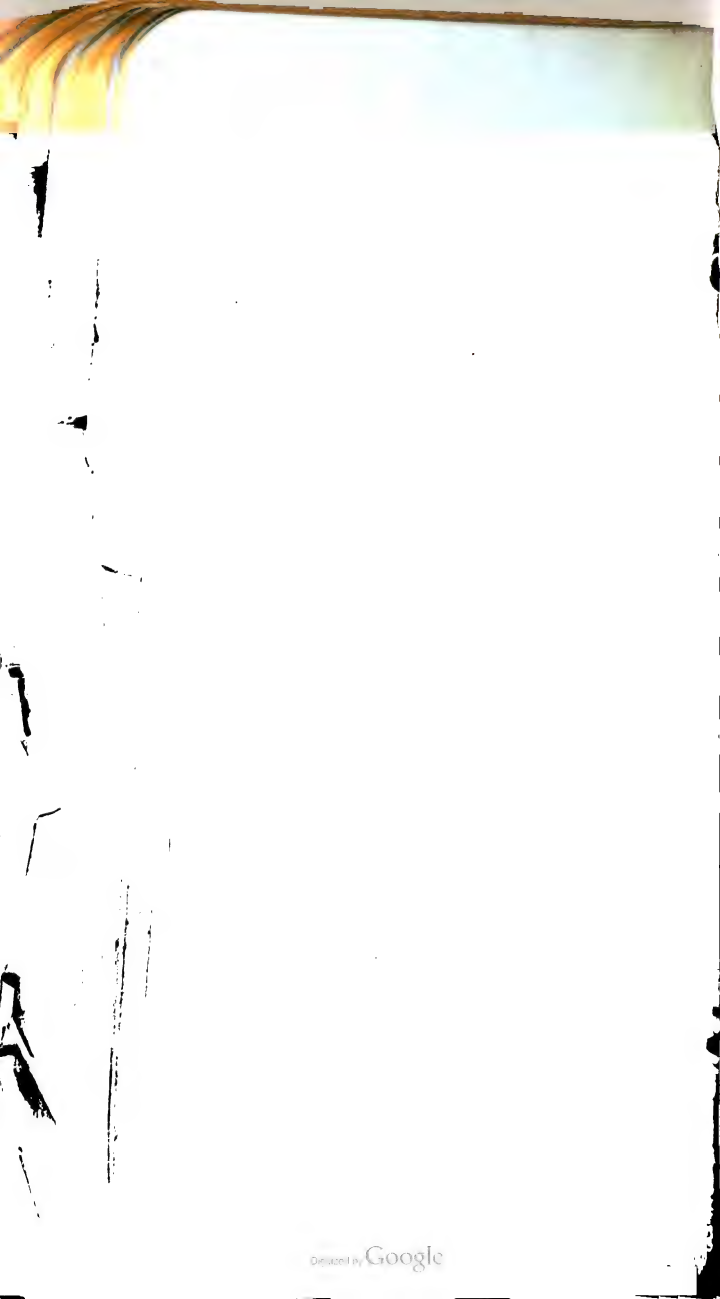
meanor and shall be punished as herein-after provided.

SEC. 6. Be it further enacted, etc., That any itinerant or traveling agent as aforesaid, violating the provisions of this act shall be deemed guilty of a misdemeanor and on conviction thereof shall be fined not more than \$500.00 or imprisoned not more than six months or both at the discretion of the court.

Approved: July 1, 1912.



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## MAINE.

Corrected to and including 1915 Session.

"R. S. 1916, C. 40, as amended in 1919.

**Definitions. SEC. 14.** Under this act, the term "dealer" shall mean any individual, partnership, Asso. or Corp. engaging in the selling or offering for sale of securities, except to, or through the medium of, or as agent or salesman of, a registered dealer. But sales made by, or in behalf of, a vendor in the ordinary course of bona fide personal investment, or change of investment, shall not constitute such vendor, or the agent of such vendor, if not otherwise engaged either permanently or temporarily in selling securities, a dealer in securities. Nor shall the offer of or sale of its own securities by an Asso. or a Corp. to its own members or stockholders constitute such Asso. or Corp. a dealer in securities.

The term "securities" shall include all stocks, bonds, debentures or certificates of participation, and all other forms of securities, except that it shall not be held to include commercial paper or other evidence of debt not running more than 9 months, or securities legal for purchase by Sav. Bks. under the statutes of any New Eng. State, or notes secured by Mtg. of real estate in this State, or to the shares of Loan and B'd. Assos. organized under the laws of Maine.

**Requirement for Registration. SEC. 11.** No dealers in securities shall in this State, by direct solicitation or through agents or salesmen, or by letter, circular or advertising, sell, offer for sale, or invite offers for or inquiries about, securities unless registered as a dealer under the provisions of this act. No salesman or agent shall in this State, in behalf of any dealer, sell, offer for sale, or invite offers for or inquiries about, securities unless registered as a

salesman or agent of such dealer, under the provisions of this act.

Every non-resident shall file a power of attorney, irrevocable, properly authorized, and with satisfactory certificates or other evidence of the authorization, appointing the Com. agent for the service of legal process upon the dealer in any action in the courts of this State, based upon or arising in connection with any sale of, attempt to sell, or advertising of, securities in this State, or any violation of Sec. 11 to '23, both inclusive.

Upon the filing of the application, the Com. shall forthwith give notice of the fact and date of such application, and of the name, principal place of business and address of the dealer, by advertisement inserted once in the official State paper, and once in a newspaper of general circulation where the dealer's place of business is located, if it is elsewhere in this State than in the city of Augusta. The registration certificate shall not be issued before the expiration of 2 weeks from the last publication. Any person may, within such 2 weeks period file objection to the proposed registration.

If the Com. is satisfied that the dealer is of good repute, and that the proposed plan of business of the dealer is not unfair, unjust, or inequitable, and that the dealer intends to honestly and fairly conduct its business, with disclosure of pertinent facts sufficient to enable intending purchasers to form a judgment of the nature and value of the securities, and without intent to deceive or defraud, and that the securities that it proposes to issue or sell are not such as in his opinion will work a fraud upon the purchasers thereof, he shall register the dealer unless objection to such registration shall be filed with the Comr. within the period of 2 weeks succeeding the publication of the dealer's application.



If the Comr. is not so satisfied, or if, within the period of 2 weeks succeeding the publication aforesaid, objection shall be made to the proposed registration, the Comr. shall give notice of either fact to the dealer, and upon request from the dealer shall fix a time and place for hearing, of which 14 days' notice shall be given by mail to the dealer and to the objectors, and by publication in the state paper, and at such hearing opportunity shall be given to said dealer, and to any other persons interested or objecting, to offer further evidence relating to the dealer's application. If satisfied, as aforesaid, as a result of such hearing, the Comr. shall thereupon register the dealer.

Upon registration of any dealer, a registration C't'f shall be issued stating the name, principal place of business and address of the dealer, the names, residences and business addresses of all the persons interested in the business as principals, officers, directors or managing agents, and the fact that the dealer has been registered for the current calendar year as a dealer in securities. The C't'f's. shall in other respects be in such form as the Comr. may determine, but shall state in bold type that the Comr. does not recommend, and assumes no responsibility for, securities offered by the dealer. Changes in the C't'f, necessitated by changes in the personnel of a partnership, or in the principals, officers, directors or managing agents of any dealer, may be made at any time upon written application to the Comr., accompanied by statement of the facts necessitating the change. Upon the issue of the amended C't'f's., the original C't'f. and the certified copies thereof outstanding shall be promptly surrendered to the commissioner.

#### Registration of Agents or Salesmen.

Sec. 13. Upon written application by a registered dealer, for each person, the Com. shall register, as agents or salesmen of such

dealer, such persons as the dealer may request. The application shall be in such form as the Com. may prescribe, and shall state the residences and addresses of the persons whose registration is requested. The Com. shall issue to each person so registered a registration certificate, stating his name, residence and address, the name, principal place of business and the address of the dealer, and the fact that he is registered for the current calendar year as agent or as salesman (as the case may be) of the dealer. The certificate shall in other respects be in such form as the Com. shall determine, but shall state in bold type that the Com. does not recommend, or assume any responsibility for, securities offered by the dealer, or the dealer's agents or salesmen. Upon application by the dealer, the registration of any agent or salesman shall be cancelled.

**Renewal of Registration.** SEC. 15. All registrations shall expire at the close of the calendar year, but new registrations for the succeeding year shall be issued as of course, without the filing of further statements or furnishing any further information, unless specifically requested by the Com., upon written application of the dealer and payment of a registration fee of \$5.00 for each registration. Provided, however, that such application for renewal of registrations for the year 1915 shall be made on or before the 1st day of May, 1915, but thereafter shall be made on or before the 1st day of Mar. in each year, and if not so made, applications thereafter received shall be treated as, and be subject to the same fees provided for, original registrations.

**Publication.** SEC. 16. The Com. shall, at least twice during each year, publish in the State paper a list of the then registered dealers, and of their registered agents or salesmen, and shall also at any time, on request by mail or otherwise, inform any inquirer as to whether or not any

individual, partnership, Corp. or Asso. is registered either as dealer, agent or salesman.

**Production of Registration Certificates.** SEC. 17. Any dealer may, and any person named in a registration certificate as above provided may, in behalf of any dealer, sell, offer for sale or invite offers for or inquiries about securities in this State, but shall at all times when so engaged carry with him the registration certificate, or a copy thereof, certified by the Com., which shall at any time be shown to any prospective customer upon request. No dealer, agent or salesman shall advertise publicly the fact of his registration, or use such fact or the registration certificate, in connection with any sale or effort to sell securities, except by statement of the fact or by exhibiting the certificate or a certified copy thereof.

**Commissioner's Authority to Investigate or to Require Information.** SEC. 18. The Com. may at any time require a dealer to file with him a list of the securities which he has offered for sale or advertised within the preceding 6 months, or which he is at the time offering for sale or advertising, or any portion thereof; and may require the filing of statements of assets or earnings, or any other facts he may deem pertinent in relation to any of the securities offered or to be offered by the dealer, or the Assos. or Corps. issuing them; and may require the filing of copies of any or all printed or otherwise reduplicated circulars or printed advertisements relating to securities which the dealer has within 6 months offered for sale or which the dealer shall thereafter offer for sale; and, thereupon, unless satisfied that all such offerings of the dealer have been and are to be made honestly and in good faith, and with disclosure of pertinent facts sufficient to enable intending purchasers to form a judgment of the nature and value of the securi-

ties, and without intent to deceive or defraud, may prohibit the dealer from selling or offering the securities, or any of them, or in any way advertising them.

**Revocation or Suspension of Registration.** SEC. 19. The Com. may, unless furnished with satisfactory evidence as provided in the preceding Sec., or in case of violation of any provision of this act, or in case of dishonesty, deceitful or fraudulent conduct on the part of the dealer in connection with the carrying on of the business, revoke the dealer's registration, and may, having reasonable cause to believe that the dealer may have been guilty of violation of the provisions of this act, or of dishonest, deceitful or fraudulent conduct in connection with the carrying on of the business, suspend the dealer's registration until satisfied to the contrary. In either case, the dealer shall not be regarded as registered under the provisions of this act, until restored to registration by the Com., either on his own initiative or upon order of court as hereinafter provided.

The revocation or suspension of the dealer's registration shall constitute a revocation or suspension of the registration of any agent or salesman of the dealer.

SEC. 20. The Com. may, in case of violation of any provision of this act, or in case of dishonest, deceitful or fraudulent conduct, on the part of any agent or salesman in connection with the business, revoke the agent's or salesman's registration; and may, having reasonable cause to believe that the agent or salesman may have been guilty of violation of the provisions of this act, or dishonest, deceitful or fraudulent conduct in connection with the business, suspend the agent's or salesman's registration until satisfied to the contrary. In either case, the agent or salesman shall not be regarded as registered under the provisions of this act, until restored to registration by the

Com., either on his own initiative or upon order of court as hereinafter provided.

In case of suspension or revocation of registration, all certificates shall at once be surrendered to the Com. upon his request.

**Service of Notice.** SEC. 21. Notice of any requirement or decision of the Com. shall be sufficient if sent by mail addressed to the dealer, agent or salesman, as the case may be, at the address designated in the application for registration.

**Appeals.** SEC. 22. Appeals may be taken by any person aggrieved by any decision of the Com., to the supreme judicial court, by petition addressed to that court, stating the decision complained of. Upon such petition, citation shall be issued to the Com., who shall file an answer to the petitions, stating therein his reasons for the decision. The court may, in its discretion, after hearing the Com., or his representative, suspend the order of the Com., pending the determination of the petition upon its merits, and may, after final hearing thereon, make such decree in connection with the matter complained of as justice may require. The court shall make provision for summary hearing and determination of such petitions so far as in its discretion seems desirable.

**Penalties.** SEC. 23. Any dealer or any person violating any provision of this act, or knowingly filing with the Com. or furnishing to him any false or misleading statements or information, shall be punishable upon conviction thereof by a fine of not more than \$1,000, or by imprisonment for not more than 60 days, or by both such fine and imprisonment, and municipal and police courts shall have original and concurrent jurisdiction with the supreme judicial and superior courts. The foregoing penalties shall be in addition to, and not a substitute for, any civil or criminal liability now or hereafter existing. The Bk. Comr.

is authorized to appoint an examiner who shall, under his direction, have charge of the enforcement of the provisions of secs. 11 to 23, both inclusive, and make any necessary investigations thereunder; the amount of his compensation to be subject to the approval of the governor and council. The salary and traveling expenses of such examiner and all expenses of administration and enforcement of secs. 11 to 23, both inclusive, shall be paid out of the registration fees received from dealers in securities.'

NOTE.—As to the sale of bonds, mortgages, notes or other choses in action of foreign investment companies see Revised Statutes 1916, Chap. 52, Sec. 123.

## MASSACHUSETTS.

Acts 1911, Chap. 492.

SECTION 1. An officer of a mining Corp. who makes a false statement, knowing the same to be false, in an application to any stock exchange to list the shares of such Corp. shall be punished by a fine not exceeding \$500, or by imprisonment for not more than 2 years.

SEC. 2. No officer, agent, clerk or servant of a mining Corp., nor any person dealing in the shares of such Corp. shall cause to be published any advertisement of the shares of such Corp. in which any statement is made of the value of the property of the Corp., or of its present or prospective earnings, or of a prospective increase in the price of the shares, unless the Pres. and a majority of the directors of such Corp., within 60 days prior to the date of the publication of such advertisement, shall have filed with the Comr. of Corps., in such form as he shall prescribe, a statement under oath of the financial condition of the Corp., a full description of its property, and a statement of the earnings, if any, from the operation of the same for the fiscal year next preceding the date of the filing of the said statement.

SEC. 3. Whoever, having caused the publication of such an advertisement, or being a promoter, officer, clerk or servant of a mining Corp., or a broker or agent for such a Corp. or for such a promoter, or for the person or Corp. causing the publication of such an advertisement, sells or offers for sale any shares of stock in such Corp. knowing that any statement in such advertisement is false or is inconsistent with a statement filed under the provisions of Sec. 2 of this act, shall be punished by a fine of not more than \$500 or by imprisonment for not more than 2 years.

SEC. 4. Whoever violates the provisions

of Sec. 2 of this act shall be punished by a fine of not more than \$200 or by imprisonment for not more than one year; and an officer or director of a mining Corp. who signs any false statement filed with the Comr. of Corps. under the provisions of said Sec., knowing such statement to be false, shall be punished by a fine of not more than \$1,000 or by imprisonment for not more than 2 years. (Approved May 27, 1911.)

(NOTE.—So also a C't'f must be filed with the Comr. of Corps., etc., before securities of any correspondence school can be sold. See Acts 1914, Chap. 658.

Any Corp. selling securities of any kind on the partial payment plan, unless said securities at time of issuance are adequately secured, comes within the provisions of L. 1904, Chap. 427.)



## MICHIGAN.

As amended 1915 Session of Legislature.

Revised Rules and Regulations of the Michigan Securities Commission.

**I. Exemptions.**

1. This law does not affect the sale of the following: (Sec. 3)

- (a) Securities of the U. S., or any foreign Gov't, or of any State or Ter. thereof, or of any county, city, township, Dist. or other public taxing Subd. of any State or Ter. of the U. S., or any foreign Gov't.
- (b) Unsecured commercial paper.
- (c) Securities of public or quasi public Corps., the issue of which securities are regulated by the Mich. R. R. Com. or by a public service Com. or board of equal authority of any State or Ter. of the U. S., or securities senior thereto.
- (d) Securities of State or Nat. banks or Tr. Cos., or Bldg. and Loan Assos. of this State.
- (e) Securities of any domestic Corp. organized without capital stock and not for pecuniary gain, or exclusively for educational, benevolent, charitable or reformatory purposes.
- (f) Mtgs. upon real and personal property situated within this State where the entire Mtg. is sold and transferred with the note or notes secured by such Mtgs.
- (g) Stock issued to original subscribers except for promotion, and increase of stock sold and issued to stockholders, also stock dividends.

- (h) Securities which are listed in any standard manual of information approved by said commission.
  - (i) All stock, bonds and securities approved by the Mich. Secur. Com., created by Act No. 143 of the Public Acts of 1913.
2. The Commission has on file and until further notice will not demand the filing of statements and will permit the sale of securities listed by:
- A. The Standard Statistics Bureau's Daily Bond Service.
  - B. The Standard Statistics Bureau's Daily Stock Service.
  - C. Poor's Manual of Railroads.
  - D. Poor's Manual of Public Utilities.
  - E. Poor's Manual of Industrials.
  - F. Moody's Manual of R. Rs. and Corp. Securities.
  - G. Mich. Manual of Corporation Statistics.
  - H. Annual Financial Review — Canadian.
  - I. Supplements to any of the above manuals.

The Com., however, reserves the right at its discretion to exclude, at any time, any information contained in the foregoing, not otherwise exempt, and to demand such additional information and proof as it may deem necessary. (Sec. 3.)

Should the Com. at any time be informed that any Co. listed in the above manuals and claiming exemption thereby, is selling or offering for sale any new issue of stock, bonds or other securities or any part of existing unissued securities, this Com. may exercise its right to exclude the statement of such Co. and it will be necessary for such Co. to discontinue selling or offering for sale any of its securities until it has made application to the Com. for the sale

of the same, and complied with all of the provisions of Act No. 46, Public Acts of 1915.

3. It is hereby understood that the exemptions provided for under the provisions of Rule 3 shall only be for the purpose to facilitate dealing in such exempt securities by dealers and agents duly registered with the Mich. Secur. Com., and the benefit of such exemptions shall not apply to dealers or agents not registered with the Com.

## II — INVESTMENT COMPANIES.

### Domestic and Foreign. (Sec. 2.)

The following requirements must be met by Inv. Cos. before selling or offering for sale any of its stock, bonds, or other securities within this State. The designation "Investment Companies" is a general term and embraces all Corps., co-partnerships, Cos. and Assos. (Sec. 2.)

4. Application to sell securities must be made on blanks furnished by the Com. In addition to the information demanded in the application form there must be attached thereto the several exhibits and statements called for in the same. All documents so attached must, whenever practicable, conform in size to that of the application and be attached consecutively in the order as requested. Such additional information as the Com. may require must also accompany the application. (Sec. 4.)
5. Filing fee. Minimum fee \$10.00, maximum fee \$100.00. Computed at rate of 1/10 of 1% of face value of all unsold securities. (Sec. 4.) Under an opinion of the Atty. Gen. filing fee is demanded on the basis of all unsold securities, covered in the application, irrespective of the amount intended to be sold in this State, for in judging

the merits of any application the Com. must consider the probable value of all securities which might be sold at any time or place. When it is contemplated or probable that the owners of issued securities shall offer for sale such securities in the course of continued and successive transactions of a similar nature a filing fee upon the entire issue must be paid. Payment of fee on this basis will also obviate the necessity of expensive examinations by the Com. to ascertain the exact amount of securities sold.

6. Foreign Inv. Cos. must file consent to suits by service on the Comr. of the Bk. Dept. (Sec. 6.) (Blank forms supplied by the Com.)
7. If in the judgment of the Com. it is necessary to make an examination of any Inv. Co., such Co. will be so notified. The Com. will render a statement of the estimated cost of such examination and the amount so estimated must be remitted in advance to the Com. Where estimate exceeds the actual cost of examination the balance will be returned.
8. No application will be considered unless accompanied by correct filing fee as above provided; nor until such application is complete with all papers demanded filed therewith.
9. The Commission at its meetings will not consider an application unless complete and filed at least 24 hours before such meeting. (Sec. 1.)
10. Upon receipt of any application by any Inv. Co., the Sec. will notify such applicant by mail of the date of the next meeting of the Secur's Com. and said applicant may appear and be heard either in person or by counsel at such meeting, or at any meeting to which hearing upon such application may be adjourned.

11. No Inv. Co. should, either in its prospectus, its advertising, or in soliciting sale of its stock or other securities, use, for the purpose of making such sales, the fact that permission to sell such securities has been given by this Com. In case the fact that said Com. has approved such security is printed in any circular, pamphlet, or newspaper, the words "The Commission does not recommend the purchase of this security" shall be printed in type two sizes larger than the type in which the statement of fact that such security has been approved by said Com. appears. (Sec. 9.)
12. Notices of disapproval of any securities submitted to the Com. will be sent by Reg. mail within 30 days after final filing of all papers and documents demanded. In case of disapproval filing fees will not be returned.
13. Authorized agents must be registered. Fee \$3.00 each. (Sec. 11.) Registration is not transferable. The Com. will issue licenses to all registered agents under the provisions of Act No. 143, of the Public Act of 1913 upon the payment of the sum of 25 cents. (Sec. 11.)  
(Special blanks are furnished by Com.)
14. Annual statements must be filed during Jan., on special blanks furnished by the Com., together with filing fee of \$1.00. (Sec. 21.)

### III — DEALERS.

15. Registration must be made upon blanks furnished by the Com. and dealer must give all information required thereon. This registration is not transferable. The Com. will issue a license to each dealer registered under the provisions of Act No. 143, of the

- Public Acts of 1913, upon the payment of the sum of \$1.00 (Sec. 11.)
16. Fee of \$50.00 must accompany dealers registration.  
(Only payable once.) (Sec. 11.)
  17. Agents of dealers must be registered, fee for each agent being \$3.00. This registration is not transferable. (Sec. 11.)
  18. Non-resident dealers must file duly authenticated appointment of Com. of the Bk. Dept. as his, or its agent upon whom process or pleading may be served. (Sec. 11.)
  19. All dealers, before offering or selling any securities not exempt under the provisions of Sec. 11 (Exemptions) of this bulletin, must submit the same to the Com. under the same provisions as provided for Inv. Cos. (Sec. 15.)

#### IV — MISCELLANEOUS.

20. For penalties for violation of law see Sec. 23.
21. Transcripts of any information on file in the office of the Com. shall be furnished at 12 cents per folio, that being approximately the cost of preparing the same. Certified copies can be had at a cost of 20 cents per folio. The minimum charge for any papers certified to shall be 50 cents. Certified copies will be received in evidence in all courts of this State.
22. Regular meetings of the Mich. Sec't's Com. will be held at its offices in the Capitol, at Lansing, Mich., on each Friday at 9 o'clock A. M. No application will be considered unless complete and filed by 9 o'clock A. M. of the preceding day.
23. Special meetings shall be held at the same place upon the call of the Chairman of the Mich. Sec't's Com.

**"Blue Sky Law."**

**Securities Commission.** Sec. 1. There is hereby created a commission to be known as the Michigan Securities Commission and hereafter called in this act "the commission," whose duty it shall be to administer and provide for the enforcement of all the provisions of this act. Said Com. shall consist of the Com'r of the State Bk. Dept. who shall be Pres. thereof; the State Treas. and the Atty. Gen., all of whom shall be members of said Com. during their respective terms of office and any 2 of whom shall constitute a quorum. The said Com. shall succeed the Mich. Sec't's Com. created by act 143 of the Public Acts of 1913, and as such successors shall receive all of the files, papers and property of said Mich. Sec't's Com. created by said act 143 of the Public Acts of 1913. All proceedings pending before said Mich. Sec't's Com. created by said act 143 of the Public Acts of 1913 shall be continued by the Com. created by this act; all actions, civil and criminal, pending under said act 143 of the Public Acts of 1913 shall be continued and completed thereunder. Said Com. shall have its office in the capitol in Lansing, in rooms to be provided by the Board of State Auditors, and all of its records shall be there kept. It shall hold a regular meeting on the first Friday of each month and may hold special meetings upon the call of the Pres. \* \* \* It shall make such rules and regulations as may be necessary to carry out the provisions of this act and may prepare all necessary blanks to be used in its proceedings and in the conduct of its business.

**Domestic Invest. Cos.** Sec. 2. Every person, Corp., co-partnership, Co., or Asso. (except those exempt under the provisions of this act) organized, or which shall hereafter be organized in this State, whether incorporated or unincorporated, which shall

either himself, themselves or itself, or by or through others, sell or negotiate for the sale of any stocks, bonds or other securities issued by him, them or it within Mich., shall be known for the purposes of this act as a domestic investment Co. Every such person, Corp., co-partnership, or Asso. resident of or organized in any other State, Ter. or Gov't, shall be known for the purposes of this act as a foreign investment Co.

**Exemptions.** SEC. 3. The provisions of this act shall not apply to (a) securities of the U. S., or any foreign Gov't, or of any State or Ter. thereof, or of any county, city, township, Dist. or other public taxing Subd. of any State or Ter. of the U. S., or of any foreign Gov't; (b) unsecured commercial paper; (c) securities of public or quasi public Corps., the issue of which securities are regulated by the Mich. R. R. Com. or by a public service Com. or board of equal authority of any State or Ter. of the U. S. or securities senior thereto; (d) securities of State or Nat. Banks or Tr. Cos., or Bldg. and Loan Assos. of this State; (e) securities of any domestic Corp. organized without capital stock and not for pecuniary gain, or exclusively for educational, benevolent, charitable or reformatory purposes; (f) Mtgs. upon real and personal property situated within this State where the entire Mtg. is sold and transferred with the note or notes secured by such Mtgs.; (g) increase of stock sold and issued to stockholders, also stock dividends; (h) securities which are listed in any standard manual of information approved by said Com.: *Provided, however,* That said Com. shall have the power to call for additional and further information than that contained in such manuals with reference to any securities listed therein, and may, pending the filing of such information, suspend the sale of such



securities, and also suspend, either temporarily or permanently, the sale of any securities listed in such manuals after a hearing upon notice to the issuer of such securities if said Com. shall find that the sale of such securities would work a fraud upon the purchasers thereof; (i) all stocks, bonds and securities approved by the Mich. Sec't's Com. created by act 143 of the Public Acts of 1913.

**Conditions of sale of stock, etc. SEC.**

4. Before selling, offering for sale, taking subscriptions for, or negotiating for the sale in any manner whatever in this State, any stocks, bonds or other securities of its own issue, every Inv. Co., domestic or foreign, shall file in the office of the Com. a statement showing in full detail the plan upon which it proposes to transact business; a copy of all contracts, stocks, bonds or other instruments which it proposes to make with, or sell to, its contributors or customers, together with a copy of its prospectus, and of the proposed advertisements of its sale of stocks, bonds, or other securities which statement shall also show the name and location and main office of the Inv. Co.; the names and addresses of its officers, and an itemized account of its financial condition and the amount of its assets and liabilities, and such other information touching its conditions and affairs as the Com. may require. If such Inv. Co. shall be a co-partnership or an unincorporated Asso. it shall also file with the Com. a copy of its Arts. of co-partnership or Asso., and all other papers pertaining to its organization. If it be a Corp. organized under the laws of Mich. it shall also file with the Com. a copy of its Arts. of incorporation, constitution and by-laws, and all other papers pertaining to its organization. If it shall be an Inv. Co. organized under the laws of any other State, Ter. or Gov't, incorporated or unincorporated, it

shall also file with the Com. a copy of the laws of the State, Ter. or Gov't under which it exists or is incorporated, and also a copy of its charter and the C'tf of the proper officer of such State showing that it is authorized to transact business there; and also copies of its constitution and by-laws, and all amendments of any of the above mentioned instruments which have been made, and all other papers pertaining to its organization. It shall also pay a filing fee of  $1/10$  of 1% upon the face value of the securities for the sale of which application is made: *Provided, however,* That such filing fee shall not be more than \$100.00, nor less than \$10.00.

**How papers verified.** SEC. 5. All of the above described papers shall be verified by the oath of a member of the co-partnership or Co., if it be a co-partnership or Co., and by the oath of a duly authorized officer, if it be a Corp. or an unincorporated Asso. All such papers, however, as are recorded or are on file in any public office shall be further certified by the officer of whose records or archives they form a part, as being correct copies of such records or archives.

**Consent to suits.** SEC. 6. Every foreign Inv. Co. before offering for sale any of its stocks, bonds or other securities in this State shall also file its irrevocable written consent that suits and actions may be commenced against it in the proper court of any county in this State in which a cause of action may arise or in which the plaintiff may reside, by the service of any process or pleadings authorized by the laws of this State, on the Com'r of the State Bk. Dept., said consent stipulating and agreeing that such service of such process or pleadings on such Com'r shall be taken and held in all courts to be as valid and binding as if due service had been made upon the Co. itself, and said instrument containing

such consent shall be authenticated by the seal of said foreign Inv. Co., and by the acknowledged signature of a member of the co-partnership or Co., if it be a co-partnership or Co., or by the acknowledged signature of the Pres. and Sec. of the incorporated or unincorporated Asso., if it be an incorporated or unincorporated Asso., and shall in such case be accompanied by a duly certified copy of the resolution of the board of directors, trustees or managers of the Corp. or Asso., authorizing the Sec. and Pres. to execute the same. In case any process or pleadings mentioned in this act are served upon the Com'r of the State Bk. Dept., it shall be by duplicate copies, one of which shall be filed in the office of the Mich. Sec't's Com. and another immediately forwarded by Reg. mail to the head office of the person or Corp. against which said process or pleadings are directed.

**Hearing on application.** SEC. 7. Said application shall be heard by the said Com. at the next regular meeting after said application is filed (providing such filing shall precede such monthly meeting by 24 hours), or at a special or adjourned meeting of said Com., but if such application is heard at a special or adjourned meeting of said Com. the Sec. shall give such applicant at least 2 days' notice of such hearing. Said Com. may have power to adjourn such hearings upon such applications from day to day or from time to time.

**Further information may be demanded.**

SEC. 8. The said Com. shall have power to demand from any Inv. Co. seeking to come under the provisions of this act any further information other than such Inv. Co. is required to furnish under the provisions of this act which shall be necessary to the end that the Com. may be put in possession of all facts and information necessary to qualify it to properly pass upon all ques-

tions that may come before it. It may make or have made under its direction a detailed examination of such Inv. Co.'s property, business and affairs, which examination shall be at the expense of such Inv. Co. It may cause an appraisal to be made, at the expense of said Inv. Co., of the property of said Inv. Co., including the value of patents, good will, promotion and intangible assets, and it may fix the amount of stocks, bonds and securities that shall be issued by any Corp., foreign or domestic, in payment for property, patents, good will, promotion and intangible assets at the value it shall find the same to be worth and may require that such stocks and securities so issued for such property, patents, good will, promotion and intangible assets shall be deposited in escrow under such terms as said Com. may prescribe. And said Com. may withhold its license to sell such stocks, bonds and securities if such Corp. has issued stocks, bonds and securities in payment for property, patents, good will, promotion and intangible assets in excess of their value as found by said Com. or if said stocks, bonds and securities are not deposited in escrow according to the terms fixed by such Com. until such stocks, bonds and securities issued in payment for property, patents, good will, promotion and intangible assets in excess of the value so found by said Com. have been surrendered to such Corp. and cancelled by it, and until the said stock has been deposited in escrow under the terms prescribed by said Com.

**Examination of statements, etc., filed.**

SEC. 9. It shall be the duty of said Com. to examine the statements and documents filed in its office by an Inv. Co. and the reports of any investigation conducted under the direction of said Com. and to hear such applicant and it shall have power to examine under oath any person interested

or connected with such Inv. Co., and if said Com. finds that the proposed plan of business of said Inv. Co., or that its proposed contracts, stocks, bonds or other securities are fraudulent or are of such a nature that the sale of such contracts, stocks, bonds or other securities would in the opinion of said Com. work a fraud upon the purchaser, then said Com. shall disapprove the sale of such proposed contracts, stocks, bonds or other securities and shall notify such Inv. Co. by Reg. mail of its findings and disapproval, and it shall be unlawful for such Co. to do any business in the way of selling, offering for sale, taking subscriptions for, or negotiating for the sale in any manner whatever of any such contracts, stocks, bonds and other securities in this State; and said contracts, stocks, bonds and other securities shall not be sold in this State. If, however, said Com. shall not find that the proposed plan of business of said Inv. Co. or that its proposed contracts, stocks, bonds or other securities are fraudulent or are of such a nature that the sale of such contracts, stocks, bonds or other securities would in the opinion of said Com. work a fraud upon the purchaser thereof, then it shall approve the sale of such stocks in the State of Mich. and issue its C'tf in substantially the following language:

"This is to certify that the .....  
has this date been given permission to  
sell \$..... of its.....  
(stocks, bonds or securities.)  
within the State of Michigan. The Com-  
mission does not recommend the purchase  
of this security.

Dated .....

In Witness Whereof, I have hereunto  
affixed the corporate seal of the Michigan  
Securities Commission.

(SEAL)

.....

Secretary."

The words "The commission does not recommend the purchase of this security" shall be printed in type two sizes larger than any other part of said C't'f, and in case said C't'f or the fact that said Com. has approved said security is printed or published in any circular, pamphlet or newspaper, the words "The commission does not recommend the purchase of this security" shall be printed in type two sizes larger than the type in which the statement of fact that such security has been approved by said Com. appears.

**Who deemed "Dealer."** SEC. 10. Any person, firm, co-partnership, Corp. or Asso. whether domestic or foreign, not the issuer, who shall in this State sell or offer for sale any of the stocks, bonds or other securities issued by any foreign or domestic Inv. Co., except the securities specifically exempted in this act, or who shall by advertisement or otherwise profess to engage in the business of selling or offering for sale such securities, shall be deemed to be a "dealer" in such securities within the meaning of this act, and no dealer within the meaning of this act shall sell or offer for sale any such securities or profess the business of selling or offering for sale such securities unless and until he shall have filed a list of the same in the office of the Mich. Sec't's Com. as in this act provided. The term "dealer" shall not include an owner not issuer, of such securities so owned by him when such sale is not made in the course of continued and successive transactions of a similar nature, nor one who in a trust capacity created by law lawfully sells any securities embraced within such trust.

**Dealer to register with commission.** SEC. 11. Any dealer desiring to sell or offer for sale within this State any stocks, bonds or other securities not exempted under the terms of this act, shall first reg-

ister with the Mich. Sec't's Com. and shall furnish said Com., upon oath, in such form as the Com. shall prescribe, the following information, to-wit: The dealer's name, residence and business address, the general character of the securities to be dealt in, the place or places where the business is to be conducted within this State, and where the business in this State is not to be conducted by the dealer in person, then the names and addresses of all the persons in charge thereof. Said dealer shall pay to the Com. a fee of \$50 and shall furnish said Com. with such other information in addition to that above specified as said Com. shall deem necessary in order to thoroughly acquaint such Com. with the character of the business of said dealer. All authorized agents of any dealer shall be registered with the Com. and the name of any agent shall be stricken from the register by the Com. upon the written request of the dealer and additional agents may be registered by the Com. upon like request of the dealer: *Provided*, That no agent shall act as such until his name and address shall be registered with the Com. If the dealer shall be a non-resident of this State or a Corp. other than a domestic Corp., he shall at the time he registers with the Com., file with the Com. a written duly authenticated appointment of the Com'r of the State Bk. Dept. of this State as his or its agent in Mich. upon whom process or pleadings may be served for and on behalf of the dealer, which appointment shall be irrevocable. Upon compliance by such dealer with the provisions of this act the said Com. shall issue to such dealer a license under the seal of said Com. and signed by the Sec. thereof, which said license shall be good until revoked by said Com. for good cause upon notice to such dealer and a hearing duly had: *Provided further*, That said Com. shall issue the license pro-

vided for in this Sec. to each dealer registered under act 143 of the Public Acts of 1913 upon the payment to said Com. of the sum of \$1, and shall also issue licenses under the terms of this act and upon the payment of the sum of 25 cents to such agents as were registered under the provisions of said act number 143 of the Public Acts of 1913.

**Agents fees.** SEC. 12. In addition to the filing and examination fees herein provided for to be paid by Inv. Cos. and dealers, there shall be charged and collected by said Com. a fee of \$3 for the registration and authorization of each agent of any such Inv. Co. or dealer \* \* \*.

**Accounts of companies.** SEC. 13. General accounts of every Inv. Co., domestic or foreign, shall be kept in a businesslike and intelligent manner and in sufficient detail that said Com. can ascertain at any time its financial condition and the books of accounts shall at all times during business hours, except on Sundays and legal holidays, be open to stockholders and investors in said Co., and the said Com., or its duly authorized representatives, and all such Inv. Cos., shall be subject to examination by said Com. or any member thereof, or the clerks, accountants or examiners thereof, at any time said Com. shall deem it advisable, and in the same manner as is now provided for the examination of State banks, and such Inv. Co. shall pay a fee for each of such examinations of not to exceed \$7.00 for each day or fraction thereof that any member of said Com., clerk, accountant or examiner is absent from the capitol building for the purpose of making such examination and shall also pay the actual traveling and hotel expenses of the person or persons making such examination and the failure or refusal of any Inv. Co. to pay such fees, upon demand of such Com., clerk, accountant for



examiner, while making such examination shall work a forfeiture of the right of such Inv. Co. to sell or offer for sale any of its contracts, stocks, bonds or other securities in this State. In case of a preliminary examination of any Inv. Co. by said Com. for the purpose of the ascertainment by said Com. as to whether said Co. shall be permitted to come under the provisions of this act, the fee for such examination shall be the same as in this Sec. provided, and in case it shall be made to appear to the Com. from the examination of said Inv. Co. after said Inv. Co. has been authorized to sell its stocks, bonds and securities that the further sale of said stocks, bonds and other securities would work a fraud upon the purchaser, then said Com. may make an order revoking the license of said Inv. Co. to sell its stocks, bonds and securities upon notice duly given and a hearing duly had and may, pending such hearing, suspend the right of said Inv. Co. to sell its stocks, bonds and securities.

**Unlawful sales.** SEC. 14. It shall be unlawful for any Inv. Co. or dealer, or representative thereof, either directly or indirectly, to sell or cause to be sold, offer for sale, take subscriptions for, or negotiate for the sale in any manner whatever in this State, any stocks, bonds or other securities (except as expressly exempted herein), unless and until said Com. has approved thereof and issued its C'tf in accordance with the provisions of this act, nor shall it be lawful for any such Inv. Co. to transact business on any other plan than that set forth in the statements and papers required to be filed by virtue of the provisions of this act or the rules of the Com. It shall be unlawful for any Inv. Co. or dealer, or its or his agents, to issue, circulate or deliver any advertisement, pamphlet, circular, prospectus, or other document in regard to its stocks, bonds or

other securities in Mich. differing in any way from the copy filed with said Com. as provided by this act. It shall be unlawful for any newspaper published in Mich. to advertise the sale of any stocks, bonds or securities which have not been approved by said Com. or which are not exempt under the provisions of this act.

**Unlawful sales by dealers.** SEC. 15. No dealer within the meaning of this act shall sell or offer for sale within this State any of the stocks, bonds or other securities of any Inv. Co. unless such Inv. Co. shall have fully complied with all the provisions of this act, nor until said dealer shall have registered with the Com., under the terms of this act: *Provided, however,* That should any dealer desire to sell or offer for sale within this State the stocks, bonds or other securities of an Inv. Co., which has not itself complied with the provisions of this act, said dealer shall make application to the said Com. for license as hereinbefore provided for applications by Inv. Cos. and shall pay the same fee required to be paid by said Inv. Co.

**Information to be public.** SEC. 16. All information obtained by the Com. with reference to any securities and all records of the Com. relating thereto shall be open to examination by the public, and it shall be the duty of the Com. to preserve such information, and so classify and arrange it as to facilitate examination. The Com. may from time to time issue in pamphlet form, or by means of newspaper advertisements or otherwise, any and all information regarding any and all contracts, stocks, bonds or other securities sold or offered for sale within this State which it deems would be of public interest or advantage. \* \* \*

**Laws not affected.** SEC. 17. Nothing in this act shall be construed to repeal or modify any laws giving the State Bk. Dept. of this State control of and supervision

over State banks and the business of Bkg. in this State, nor shall any part of this act be construed to repeal or modify laws giving the Com'r of Ins. of this State control of and supervision over the business of Ins. in this State, and those engaged therein.

**Seal of commission.** SEC. 18. The Com. shall adopt a seal with the words "Michigan Securities Commission" and such design as the Com. may prescribe, engraved thereon, by which it shall authenticate its proceedings. Copies of all records and papers in the office of the Com. certified by the Sec. thereof and authenticated by the seal of said Mich. Sec't's Com. shall be received in evidence in all courts equally and with like effect as the originals.

**False statements or entries.** SEC. 19. Any person who shall knowingly or wilfully subscribe to or make or cause to be made any false statement or false entry in any book of any Inv. Co., or who shall exhibit any false paper with the intention or for the purpose of deceiving any person authorized to examine into the affairs of said Inv. Co. or shall make or publish any false statement of the financial condition of said Inv. Co. or false statement relating to the contracts, stocks, bonds, or other securities by it issued and offered for sale, shall be deemed guilty of a misdemeanor and shall be punished as hereinafter provided.

**Commission to furnish information.** SEC. 20. The Com. shall provide for the furnishing to those who may apply therefor, of any information regarding any Inv. Co. or its affairs, which is on file in its office, said Com. to charge therefor approximately the cost of preparing such information. \* \* \* The members of the Com. shall perform the duties imposed upon them and each of them, by the terms of this act, without other compensation than

the salaries paid them by the State, but they shall be entitled to receive their actual expenses incurred when absent from the seat of government on business of the Com.

**Statements filed by Cos.** SEC. 21. Every Inv. Co., domestic or foreign, shall file during the month of Jan. in each and every year a detailed statement in such form and containing such information as the Com. shall require showing its condition at the close of business on the preceding Dec. 31st, and shall at the same time pay a filing fee therefor of \$1.00.

**Jurisdiction of supreme court.** SEC. 22. The supreme court upon petition of any person aggrieved may review by certiorari any final order of determination of the Com. The issuance of the writ shall not, however, unless specifically ordered by the court, operate as a stay of proceedings.

**Penalty.** SEC. 23. Any person or persons who shall violate any of the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$1000.00 or shall be imprisoned in the county jail for not more than 1 year or both such fine and imprisonment in the discretion of the court.

**Unconstitutional provision.** SEC. 24. Should the courts of this State declare any Sec. or provision of this act unconstitutional or unauthorized, or in conflict with any other Sec. or provision of this act, then such decision shall affect only the Sec. or provision so declared to be unconstitutional or unauthorized and shall not affect any other Sec. or part of this act.

\* \* \*

## MINNESOTA.

General Laws 1917, Chapter 429, as amended March 27, 1919.

**SEC. 1. State Securities Commission.**

There is hereby created a commission to be known as the state securities commission, hereafter referred to as the "commission," whose duty it shall be to administer and provide for the enforcement of all the provisions of this act. Said Com. shall consist of the public examiner, [the superintendent of banks,] the attorney-general of the state or an assistant attorney-general specifically designated by him therefor and the commissioner of insurance, all of whom shall be members of said Com. during their terms of office and [any 3 of whom, or any two of whom and the executive officer hereinafter provided for shall constitute a quorum.] Said Com. shall have its office in the state capitol, in the city of St. Paul, in a room to be furnished and equipped by the state, and all its records shall be there kept. It shall hold regular by-weekly meetings on such dates as may be determined by the Com. and may hold special meetings upon the call of the [chairman]; it shall keep a complete record of all its meetings, its accounts and the business it transacts and may prepare all necessary blanks to be used in its proceedings and in the conduct of its business. The Com. shall have the power to [elect a chairman and a vice-chairman from among its members and appoint an executive officer at a salary of \$3,000 per annum.] The person so appointed shall proceed to qualify by subscribing the usual oath of office and by giving a bond to the state of Minn. in the sum of \$10,000 with such surety as the Com. shall approve, conditioned upon the faithful performance of the duties of the office, which bond shall be filed and recorded as now provided by

law for state officers. [The executive officer,] when acting for the Com., shall have equal power and authority, subject to the approval of the Com., and his acts in exercising such power and authority shall be binding and of full force and effect until disapproved by the Com., and he shall attend to and perform any and all detailed work relative to the Com., [and shall be entitled to vote in case of a tie.] The Com. shall have power to employ such other and further assistance as may be necessary to carry out the provisions of this act. Annually on or before the first day of November, the Com. shall prepare and file in the office of the governor a report containing an accurate review of the work of the Com. for the fiscal year ending June 30, preceding the date of said report and which shall contain a schedule of all applications for license to sell securities in the state, a schedule of licenses granted, [a schedule of applications denied, a schedule of licenses suspended or revoked, a statement of the receipts and disbursements of the Com. and such other material information as relates to the work of the office.]

SEC. 2. **To what institutions act is not to apply.** The provisions of this act, except Sec. 10 thereof, shall not apply to (a) securities of the U. S. or any foreign government; or of any state or territory thereof; or of any county, city, township, district or other public taxing subdivision of any state or territory of the U. S. or any foreign government; (b) commercial paper, or unsecured negotiable promissory notes, due in not more than 18 months from their date; (c) securities of public or quasi public Corps., the issue of which securities is regulated by a public service Com. [of this state] or of any state or territory of the U. S., or securities senior thereto; (d) securities of federal reserve banks, federal farm loan banks, building and loan Assocs. of this state, or foreign

Bldg. and [loan Assocs. that have now fully complied with the laws of this state pertaining to such Corps., and are now permitted to do business by the Supt. of banks, Nat. banks,] or of co-operative Assocs. organized under Secs. 6479 to 6490, inclusive, General Statutes 1913, for operating creameries, cheese factories, or rural telephone lines, where the authorized capital stock does not exceed [\$25,000; (e) securities of any domestic -Corp. organized without capital stock and not for pecuniary gain, or exclusively for educational, religious, benevolent, charitable or reformatory purposes; (f) authorized securities as specified and defined by Sec. 6393 of the General Statutes of 1913 and any amendment thereof, or securities of the classes specified and defined in Sec. 3313, General Statutes 1913; (g) Mtgs. and notes or bonds secured by mortgage upon real or personal property where the entire Mtg. is sold and transferred with the note or notes or bonds secured by such Mtg., or where the indebtedness secured is not more than 70% of the fair value of the property mortgaged; (h) increase of stock sold and issued to stockholders or stock dividends; (i) securities sold pursuant to the order of any court; (j) isolated or single transactions; (k) policy contracts of insurance companies licensed to do business in this state.]

**SEC. 3. What shall be known as investment company.** Every person, firm, co-partnership, Corp., Co. or Assoc., whether unincorporated or incorporated, under the laws of this or any other state, territory or government, which shall either himself, themselves or itself, or by or through others engage in the business within the state of Minn. of selling, [offering] or negotiating for the sale of any stocks, bonds, investment contracts or other securities, herein called securities, issued by him, them or it, except to a bank or Tr.

Co., shall be known, for the purpose of this act, as an investment company.

Every person, firm, co-partnership, Co., Corp. or Assoc., whether unincorporated or incorporated under the laws of this or any other state, territory or government, not the issuer, who shall within [the state] of Minn. sell or offer for sale any of the stocks, bonds, investment contracts, or other securities herein called securities, issued by an Invest. Co., except the securities, specifically exempt under the provisions of this act, or who shall by advertisement or otherwise profess to engage in the business of selling or offering for sale such securities within the [state of] Minn., shall be known for the purpose of this act as a dealer. The term dealer shall not include an owner, not issuer, of such securities so owned by him when such sale is not made in the course of continued and successive transactions of a similar nature, nor one who in a trust capacity created by law lawfully sells any securities embraced within such trust.

**SEC. 4. [Investment companies to be licensed; fees for same.]** No such Invest. Co. and no such dealer shall sell or offer for sale any such securities or profess the business of selling or offering for sale such securities, unless and until he or it [shall have been licensed by the Com. as herein provided. To secure such license said Invest. Co. or dealer shall file application therefor with the Com. and shall furnish said Com., upon oath, in such form as the Com. shall prescribe, the following information, to-wit:.] The Invest. Co.'s or dealer's name, residence and business address, the general character of the securities to be sold or dealt in, the place or places where the business is to be conducted within this state, and where the business in this state is not to be conducted by the Invest. Co. or by the dealer in person, then the names and addresses of all the persons in charge thereof. Said In-



vest. Co. shall pay to the Com. a filing fee of  $1/10$  of 1% upon the face value of the securities for the sale of which application is made; provided that such filing fee shall not be [less than \$25; provided, further, that an Invest. Co., as defined in Sec. 6445, General Statutes 1913, which is under the supervision of the Supt. of banks and which is engaged in the business of soliciting payments to be made to itself on the installment, single payment or full paid plan, issuing therefor saving C't'f's, agreeing to return to the holders or owners thereof money at some future date, shall for the issuance of such C't'f's, in lieu of other fees and payments herein provided for, pay to the Com. an annual fee of \$100; and said dealer shall pay to the Com. an annual fee of \$25 and shall furnish said Com.] with such other information in addition to that above specified as said Com. shall deem necessary in order to thoroughly acquaint such Com. with the honesty and good faith of such dealer or Invest. Co., and the character of the business of said Invest. Co. or dealer. All authorized agents of any dealer or Invest. Co. shall be registered with the Com. and the name of any agent shall be stricken from the register by the Com. upon the written request of the dealer or Invest. Co., and additional agents may be registered by the Com. upon like request of the dealer or Invest. Co.; provided, that no agent shall act as such until he shall have filed with the Com. a signed and acknowledged C't'f of registration and acceptance of agency upon forms to be furnished by the Com. [and until he shall have been licensed by the Com.;] provided, also, that the Com. shall have authority to reject or cancel the registration and appointment of any person as agent for such cause as may to the Com. appear sufficient. If an Invest. Co. or dealer shall be a non-resident of the state or a Corp. other than a domestic Corp., he or it shall

at the time he or it registers with the Com. also file with the Com. a written, duly authorized, executed and acknowledged appointment of the public examiner of this state as his or its agent in Minn., upon whom process or pleadings may be served for or on behalf of the dealer or Invest. Co., which appointment shall be irrevocable. Upon compliance by such Invest. Co. or dealer with the provisions of this act, the said Com. shall [either make an order denying said application or shall make findings as provided in Sec. 9 hereof or] shall issue to such Invest. Co. or dealer a license under the seal of said Com. and signed by the executive officer thereof, in such form or forms as the Com. shall adopt, which said license shall be good until revoked by said Com. for good cause upon notice to such Invest. Co. or dealer and a hearing duly had; provided, however, said license may be suspended as to the selling of specific securities as provided in Sec. 8 of this act. In addition to the filing and examination fees herein provided for to be paid by said Invest. Co.'s and dealers, there shall be charged and collected by said Com. a fee of \$3 for the registration and authorization of each agent of such Invest. Co. or dealer, which fee and registration shall entitle each agent to act as such until the first day of July following, unless said authority is sooner revoked by the Com. or the dealer or Invest. Co. Each of such agents shall make a new registration on July 1 of each year for the renewal of his agency, and the Com. shall charge and collect for each such renewal registration a fee of \$3.

**SEC. 6. Promotion of securities.** Every Invest. Co. or dealer who shall, as principal or agent, promote or negotiate by advertisement, letter, circular, prospectus, by word of mouth or by any other method of public or general offering, or specific offering, the sale or distribution of any such securities, not exempted under the terms

of this act, in this state, except to banks, Tr. Cos. or to duly licensed dealers, shall before making such negotiation, sale or promotion file a statement in writing signed by such Invest. Co. or dealer, as the case may be, or by its or his authorized representative, notifying the Com. of its or his intention to promote, offer or sell such securities, describing fully such securities, and furnishing to said Com. true copies of all prospectuses, circulars, and advertisements used, or to be used in such sale or promotion, and said Com. may make such investigation thereof and require such further information or proof with respect thereto as it may deem necessary to determine the character of such securities or of such promotion. If any such Invest. Co. or dealer shall mail by registered mail postpaid and properly addressed to the Com. such notification and documents prescribed in this Sec., with the name and address of the Invest. Co. or dealer, the same shall be deemed a filing and notification under this Sec., provided said registered letter or package would reach the Com. at least 24 hours in the ordinary course of delivery, before such sale, promotion or offering shall be made.

SEC. 6-A. Every person, firm, co-partnership, Co. or Assoc., incorporated or unincorporated, who shall himself, themselves or itself, or by or through others, circulate, distribute or cause to be circulated or distributed, either publicly or privately in any manner whatsoever, any printed or written matter containing an offer of, or a solicitation to purchase, directly or indirectly, stocks, bonds, investment contracts or other securities not exempt under the terms of this act, and every person, firm, co-partnership, Co. or Assoc., whether incorporated or unincorporated, who shall as an agent or otherwise in any manner assist in such distribution or circulation, unless such offer of, or solicitation to purchase, said stocks, bonds, investment con-

tracts, or securities shall have been approved by the Com., shall be guilty of a misdemeanor.

**SEC. 7. Investigations to be made by commission.** The Com. may also make such special investigations as it may deem necessary in connection with the promotion or sale of any such securities to the end that the Com. may be put in possession of all facts and information necessary to qualify it to properly pass upon all questions that may properly come before it and to determine if the same is in violation of this act or of any of the acts of the legislature described in Sec. 9 hereof, and to that end it shall have power to issue subpoenas compelling the attendance of any person and the production of any papers and books for the purpose of such investigation, and shall have power to administer oaths to any person whose testimony may be required in such investigation. It may also make or have made under its direction a detailed examination and report of the property, business and affairs of such Invest. Co., which investigation and examination shall be at the expense of such Invest. Co., or of the dealer seeking to sell such securities. It may cause an appraisal to be made at the expense of said Invest. Co. or dealer, of the property of said Invest. Co.

**[SEC. 8. Commission given power to limit price, fix maximum commission and other promotion expense and to fix other conditions in granting license.]** The Com. shall have power: To limit the price at which securities shall be sold by an Invest. Co. or dealers or the agents of either; to fix the maximum amount which may be paid for promotion services or be expended for commissions and other expense incidental to the sale of securities; to require licensed Invest. Cos. and dealers to furnish to it from time to time upon oath in such form as the Com. shall pre-

scribe such information as may be necessary to enable the Com. to determine whether the further sale of the securities authorized to be sold under the license of such Invest. Co. or dealer would be in violation of this act; to fix such other conditions for granting a license and to make such other orders and alter, suspend or revoke the same as may be necessary for carrying out and enforcing the provisions of this act;] to suspend the license of any Invest. Co. or of any dealer with respect to the sale or promotion of any security or securities said dealer or Invest. Co. may propose to sell, upon original notification of his or its purpose to sell, or at any future time when information in the possession of the Com. may cause it to believe that [such Invest. Co. or dealer has violated any lawful order of the Com. or any of the provisions of this act or any of the conditions upon which he, they or it was licensed or that] the further sale of said securities would be a violation of this act [and shall also have power to suspend any and all licenses issued by it] pending the furnishing of any proof or information which the Com. has asked or may ask for under the terms of this act. [The Invest. Co. or dealer, however, may within 30 days demand a hearing upon such suspension or upon a denial under Sec. 4 of this act at any subsequent meeting of the Com. or the Com. upon notice duly given may set a time for hearing, at which the Com. shall grant a full hearing to all parties concerned, and upon such hearing duly had may make such order as the facts justify, removing, continuing or making permanent the suspension, or revoking the license of said dealer or Invest. Co. as to the sale of such securities or of all securities in the state.]

**SEC. 9. Arrests and prosecutions for misrepresentation.** If the Com. finds that the proposed plan of business of said In-

vest. Co., or that its proposed contracts, stocks, bonds or other securities, are fraudulent or are of such a nature that the sale of such contracts, stocks, bonds or other securities would in the opinion of said Com. work a fraud upon the purchaser, or, if said Com. shall determine that any such promotion or sale constitutes a violation of this act, or that any such promotion or sale constitutes the crime defined and described in Ch. 479, General Laws Minn., 1909, entitled "An act to prohibit the making or publishing of false statements of publications of or concerning the affairs, pecuniary condition or property of any Corp., joint stock Assoc., co-partnership or individual, which said statements or publications are intended to give or shall have a tendency to give, a less or greater apparent value to the shares, bonds or property, or any part thereof of said Corp., joint stock Assoc., co-partnership or individual than the said shares, bonds or property shall really and in fact possess, and providing a penalty therefor," or that any such promotion or sale constitutes the crime defined and described in Ch. 51 of the Laws of Minn. for 1913, entitled "An act to prevent fraudulent advertising," as amended by Ch. 309 of the laws of 1915, in so far as said act relates to securities, and shall notify said dealer or Invest. Co. by registered mail and also by telegraph, if deemed advisable, of its findings, suspension or disapproval, then it shall be unlawful for such Invest. Co. or dealer to do any business in the way of selling, offering for sale, taking subscriptions for, or negotiating for the sale, in any manner whatever, of any such securities in this state; and said securities shall not be sold in this state, and it shall immediately suspend the license of said Invest. Co. or dealer with respect to the promotion or sale of said securities, and shall so notify him or it, and the Com. may immediately take such steps as may be necessary to

cause the arrest and prosecution of all persons deemed guilty thereof. It shall be the duty of each county attorney to prosecute any violation of this act in his county, and upon his request or the request of the Com. the attorney general shall assist in such prosecution.

**SEC. 10. Gross misdemeanor for defrauding.** If any person, including a Corp., co-partnership, Co. or Assoc., and the officers or agents thereof, alone or in common with others, having devised or intending to devise any scheme or artifice to defraud by the issuance, sale, promotion, negotiation or distribution of any stocks, bonds, notes, contracts or other securities, shall in and for executing such scheme or artifice or in attempting so to do, commit any overt act within this state, such person shall be guilty of a gross misdemeanor.

**SEC. 11. False statements a gross misdemeanor.** Any person who shall knowingly make or file, or cause to be made or filed, any statement, information, or proof required hereunder, by said Com., which is in whole or in part materially false, or any Invest. Co. or dealer who shall sell or promote, or cause to be promoted by advertisement, circular letter prospectus, by word of mouth, or by any other form of public or general offering, the sale of any securities without complying with the provisions of this act, or without furnishing to the Com. any information or proof in the possession of or reasonably obtainable by him or it, after the same is required by the Com. under this act, shall be guilty of a gross misdemeanor.

**[SEC. 12. Punishment for contempt.** Any witness who refuses to be sworn or refuses to testify or disobeys any subpoena or lawful order of the Com. or fails or refuses to produce any paper, book or document touching any matter under examination or investigation or is guilty of contemptuous conduct after being sum-

moned to appear to give testimony in relation to any such matter, or any Invest. Co. or dealer or the officers or agents of either who shall violate any lawful order of the Com. or any of the conditions upon which said Invest. Co., dealer or agent was licensed shall be guilty of contempt, and any district court may in any such case punish for contempt as if the proceedings were pending in such court, whenever the Com. shall certify to such district court a statement of the facts constituting the contempt.

Provided, also, that contempt proceedings under this Sec. shall not be a bar to any prosecution for a violation of any of the provisions of this act.]

**SEC. 13. Classifying information and publicity of same.** It shall be the duty of the Com. to so preserve, classify and arrange such information as to facilitate examination by the Com.

The Com. may, in its discretion, give out information relating to the affairs of any Invest. Cos. or dealers offering, to any person affected by the matters therein contained, when such persons satisfactorily show to the Com. that they are entitled to the information to aid them in determining the desirability of the investment offered.

The Com. shall not reveal the text of any formula, process, patent, copyright, or any portion thereof to any one inquiring without the written consent of the person or Corp. whose offering is inquired of.

The Com. shall not reveal information relative to any matter that may be at issue in any court, unless upon an order of the court.

The Com. may from time to time issue in pamphlet form, or by newspaper advertisement or otherwise, information regarding offerings it considers fraudulent offered by persons or parties within or without the jurisdiction of the state for



sale to parties within the state by mail, advertisement or otherwise.

**SEC. 16. Information to be furnished applicants.** The Com. shall provide for the furnishing to those who may rightfully apply therefor as is provided in Sec. 13 of any information regarding any Invest. Co. or dealer, or regarding any securities offered by any dealer which is on file in its office, except such as is withheld by the Com. under Sec. 13 of this act, said Com. to charge therefor approximately the cost of preparing such information. The members of the Com. shall perform the duties imposed upon them and each of them by the terms of this act, without other compensation than the salaries paid them by the state, but they shall be entitled to receive their actual and necessary expenses incurred when absent from the seat of government on business of the commission.

**SEC. 17. Violation a gross misdemeanor — and burden of proof.** Any person or persons, [Invest. Co., dealer or agent] who shall violate any of the provisions of this act, [or any lawful order of the Com. or any of the conditions upon which he, they or it was licensed] shall be deemed guilty of a gross misdemeanor, and upon conviction thereof shall be fined not more than \$1000 or shall be imprisoned for not more than 1 year, or both such fine and imprisonment, in the discretion of the court.

[Provided that in prosecutions under this act for unlawfully selling, offering for sale, taking subscriptions for or negotiating for the sale of any securities, or for unlawfully professing the business of selling or offering for sale such securities, any of the exceptions specified in Secs. 2, 3, and 6 of this act shall constitute a matter of defense to be proved as such upon the trial, and it shall not be incumbent upon the state to allege or prove that such securities, or the acts complained of, do

not come within any of such exceptions.]

**SEC. 18. Review by supreme court.** The supreme court upon petition of any person aggrieved may review by certiorari any final order or determination of the Com. The issuance of the writ shall not, however, unless specifically ordered by the court, operate as a stay of proceedings.

**SEC. 19. Declaring of one section unconstitutional not to affect other sections.** Should the courts of this state declare any Sec. or provision of this act unconstitutional or unauthorized, or in conflict with any other Sec. or provision of this act, then such decision shall affect only the section or provisions declared to be unconstitutional or unauthorized, and shall not affect any other Sec. or part of this act.

## MISSISSIPPI.

Law 1916, C. 97.

SECTION 1. Be it enacted by the Legislature of the state of Miss., That every private Corp., foreign or domestic, organized for profit, which is now attempting, or shall hereafter attempt to increase its capital stock, and every proposed Corp., foreign or domestic, attempted to be organized which shall directly or indirectly, through itself, its agents or employees, or through any person or Assn. of persons, holding Co's., sales Co's., or otherwise, or through any other agents, sell or contract to sell any stock of such Corp. or proposed Corp., upon which sale proposed or contract of sale any part of the proceeds derived or to be derived therefrom are used or to be used, directly or indirectly, for the Payt. of any Com., promotion, organization fees, or other expenses incident, directly or indirectly to the sale of its shares of stock, except attorney's fees, charter fees, franchise tax, permit fees, and stationery and supplies, shall be subject to the provisions of this act.

SEC. 2. This act shall also apply to any mining, oil or gas Corp. increasing its stock or any proposed mining, oil or gas Corp. attempting to sell its stock in which any land or mineral or other thing of value is to be procured from, in or under such land that has been or is to be placed as an asset with or in the Corp. or proposed Corp. whether any promotion fee is charged or not, and to any townsite Corp. or proposed townsite Corp. This act shall also apply to every person, firm, Assn., Co. or Corp. that shall either directly or through representatives or agents sell, offer or negotiate for sale within this state, any stocks, bonds or other securities except as herein otherwise provided.

**SEC. 3.** Before offering for sale or contracting to sell, directly or indirectly, any stock of such proposed Corp., or such increased stock of any existing Corp., before selling any stock in any townsite Corp., as provided in Sec. 2, such Corp., or those promoting or having charge of the sale of stock of any proposed Corp., shall file under oath in the office of the Sec. of state, together with a filing fee of \$50, the following documents: A statement showing in full detail the plan upon which the Corp. proposes to increase its capital stock or plan upon which the promoters or those having charge of the sale of stock of any proposed Corp. proposes to sell its stock and organize the Corp. together with a copy of all forms of contracts, stock, or deeds, if the same shall come under Sec. 2 hereof, to be used by the Corp. or its promoters, or those having charge of the sale of stocks of any proposed Corp. in connection with such stock sales. The statement shall further show the name, location and domicile of such Corp., and the names of its officers or its proposed officers, if any, or promoters, and the addresses of all the parties; the amount of capital stock of any Corp. already organized, the proposed increase, or the proposed capital stock of the Corp. to be organized, and the price at which the stock is proposed to be sold; and the price at which the stock is proposed to be sold shall not be changed without the filing with the Sec. a statement of such change, which shall be subject to his approval. Any such Corp. or promoters of such proposed Corp. shall furnish the Sec. with such other information as may be necessary or proper concerning the sale of its stock.

If it shall be a Corp. organized under the laws of any other jurisdiction it shall file with the Sec. a copy of its original charter and all amendments thereto, and such other evidences of its authority as the Sec. may require.

Said statement shall also show the Com., promotion fee, and other estimated incidental expenses proposed to be charged for the organization of such proposed Corp. or the increase in the capital stock of any Corp. already organized, and how the commission or fees are to be paid.

If the Corp., or proposed Corp., comes under Sec. 2 hereof, the officers of the Corp. or the promoters of the proposed Corp. shall state the facts upon which they base their estimate of the actual value of the property which is to become an asset of the Corp., and the Sec. shall require such proof as he may deem proper to establish the actual value of the property.

The Sec. shall have the right to employ such experts as he may deem necessary, and the experts shall be employed at the expense of the Corp. or promoters of the proposed Corp.

No Corp. proposed to be organized for the purpose of buying or selling town sites and town lots shall hereafter be granted a charter by the Sec. of State, or if a foreign Corp. the same shall not be granted a permit to do business in the state of Miss. unless the incorporators of the said proposed Corp. or officer of such foreign Corp. shall file with the Sec. of state each and every documents, contracts and papers referred to in Sec. 3 of this act, as well as a Gen. statement of the plan of its proposed townsite, and a Gen. statement of its methods of advertising same, together with a sample copy of its advertising literature, and no charter shall be granted any Corp. unless after the compliance with provisions of this act and in the judgment of the Sec. of state, such business of any proposed townsite Corp. will be honestly and fairly conducted both to the Corp. and to the public. And each and every Corp. in this state now existing or hereafter organized, desiring to engage in the sale of townsite lots or sites shall,

prior to such sale, file with the Sec. of state, a Gen. plan of the said proposed lots, or sites, to be sold, as well as a copy of any and all proposed contracts to be made with the public in the sale thereof, and a Gen. statement of the literature proposed to be used, and all matter referred to in Sec. 3 hereof, and, if in the judgment of the Sec. of state the said sale will be conducted both honestly and fairly to the Corp. and to the public, a permit to conduct the said sale shall be granted. This provision shall not be construed to authorize the creation of any Corp. for any purpose not now Auth. by the laws of this state.

Each and every C't'f granted by the Sec. of state under the provisions of this act shall be in substantially the following form:

" This is to certify that the.....  
.....has this date been given permission to sell \$.....of its  
..... stocks, bonds or securities within the state of Miss.

The Sec. of State does not recommend the purchase of this or any other security.

Dated at Jackson, Miss., this ..... day of .....

In Witness Whereof, I have hereunto affixed the corporate seal of the Sec. of state.

.....  
Sec. of State.

(Seal)

The words, "The Sec. of state does not recommend the purchase of this or any other security." shall be printed in larger, bolder faced type than the other part of said C't'f.

Any person, firm, Assn., Co. or Corp. that makes any reference in any statement, Adv. or printed matter to the fact that a permit has been received from the Sec.

of state to transact business in this state shall, with equal prominence, state in the same circular, Adv. or printed matter that "The Sec. of state does not recommend the purchase of the security of this or any other company."

SEC. 4. The Sec. upon receipt of the information as provided for in Sec. 3 shall grant or refuse such permit. If the Sec. shall decide that the sale of stock will be fairly and honestly conducted, both to the Corp. and to the public such permits shall be granted, provided that the Com., promotion and other incidental expenses, exclusive of the exempted expenses mentioned in Sec. 1 of this act shall not be more than 15% of the price at which such stock is to be sold as shown by the application or the amended application.

Provided, that, where any proposed Corp. has already sold its stock or a part thereof, or any part thereof has been subscribed at the time this act shall take effect, this act shall not affect stock previously sold or subscribed nor any contracts made in reference to same; but if any of the stock of said proposed Corp. remains unsold or unsubscribed said Corp. shall, nevertheless be entitled to a permit upon complying with the other conditions of this act, including the future sale or subscription of any of its stock.

The Com. or promotion fee shall be paid to the agent or promoter as the stock is sold by him and paid for by the purchaser. The stock shall be considered as paid for when paid for in cash, property or labor.

No permit shall be granted unless there shall appear upon the subscription lists and contracts of such Corp. or proposed Corp. in bold type, the amount of the Com., promotion fees and other estimated expenses incident to the sale of such stock, and the interest which the officer, agent, employee or promoter selling or contracting

to sell such stock has in such sale; nor shall such permit be granted until the applicants thereof have entered into bond for not less than \$1,000 nor more than \$100,000, the same to be fixed by the Sec. at not more than 10% of the stock proposed to be issued.

The said bond shall be payable to the state of Miss., conditioned that the facts set forth in the application for such permit, and the proof and statements offered to such Sec., upon which the application is based, are true and that they will comply with the provisions of this act in the sale of stock of such Corp. or proposed Corp. Said bond may be made with individual sureties, or a surety Co. Auth. to do business in the state of Miss. and the bond shall be approved by the Sec.

SEC. 5. If a permit shall be refused by the Sec. the parties applying therefor may bring suit in the chancery court of the first district of Hinds Co., Miss., to require the Sec. to issue such permit.

Sec. 6. Any person who shall be induced to purchase any stock of any Corp., or proposed Corp., by the officers, agents, employees, promoters or trustees, by reason of any misrepresentation of any material fact concerning such stock, such person or persons shall have the right to bring suit upon the bond above provided for, and such bond shall be subject to and security for such person so purchasing the stock provided that such person shall not be entitled to recover more than the money paid, or the actual value of the property given, or the labor performed, in exchange for such stock, with legal interest from the date of the Payt. or the performance of the service, or the transfer of the property, and reasonable attorney's fee. Such suit may be brought in the chancery court of any Co. in this state.

One or more recoveries upon such bond shall not vitiate the same, but it shall re-



main in full force and effect, but no recoveries upon such bond shall ever exceed the full amount of same, and upon suits being filed in excess of the amount of the bond, the Sec. may require a new bond, and if the same is not given within 30 days he may cancel the permit herein provided for.

Whenever any permit has been issued, the Corp. or persons receiving the same shall file a list of the names of their or its authorized officers, agents and employees, and the P. O. address of each; and in case of the change of any of its officers, agents or employees, it shall file a list of such changes with the Sec.

SEC. 7. All money or other things of value collected by such Corp. or the promoters of a proposed Corp., for the sale of its stock, shall be deposited by the said Corp. to its credit, or by the promoters of a proposed Corp., to the credit of its proposed officers or trustees, with the exception of the amount allowed for Com., promotion fees and other incidental expenses with a bank, bank and Tr. Co., or Tr. Co., Incorp. under the laws of this state or of the U. S., and doing business in this state.

SEC. 8. All such Corps., and the organizers or trustees of proposed Corps., shall keep a set of books which shall show the amount of money or other things of value received by such Corp. or proposed Corp., from the sale of its stock, or from the contracts of sale of its stock and such books shall show the number and amount of stock sold or contracted to be sold, and to whom sold or to be sold, and the P. O. address of each. Said books shall at all times be open for inspection to the Sec. or his duly appointed agent.

SEC. 9. Whenever the Sec. shall have information that any Corp. or the promoters of any proposed Corp., its officers, agents or employees, are not complying

with the terms of this act in the sale of its stock, they shall notify such Corp., or the officers, agents, employees or promoters of the proposed Corp. to appear within 30 days and show cause why such permit should not be cancelled, and after the hearing the Sec. shall have the right to cancel such permit if the proof shall show that such Corp., or proposed Corp., or its officers, agents, employees or promoters are not complying with the terms of this act; provided the parties or the Corp. holding such permit shall have the right to bring suit in the proper jurisdiction, against the Sec., to reinstate the permit to sell stock upon the proper showing of compliance with the provisions hereof.

SEC. 10. No permit to sell stock shall ever be issued to any foreign Corp. which has not at the time of the making of the application for a permit, at least 50% of its capital stock subscribed and paid in, providing that this shall not apply to any foreign Corp. engaged in lending money in this state.

SEC. 11. Each foreign Corp. or the promoters of any proposed foreign Corp. desiring to sell, or contract to sell its stock in this state, shall first file with the Sec. a like power of Atty. to that provided for foreign Ins. Co.'s in section 2606 of the code of 1906, of Miss., under articles 3rd and 4th thereof, and service of all process may be had upon the Corp. and the Sec. as the case may be as therein provided for, and the Secy. upon receipt of such process as therein provided for shall act and proceed as is provided for the Ins. Comr. to do under section 2596 of the said code of 1906 when served with process thereunder, with exactly the same penalties on the Secy. as is therein provided for against the Ins. Comr.

SEC. 12. It shall hereafter be unlawful for any officer, agent, employee or trustee, or promoter, or holding Co., or sales agent,

or person, or Asso. of persons in this state to sell or offer to sell or contract to sell directly or indirectly any stock of any Corp. or proposed Corp., subject to this act, without first complying with all the provisions of same and any person so offending shall be guilty of a misdemeanor, and upon conviction shall be fined not less than \$50 nor more than \$2,000, and in addition thereto may be imprisoned in the county jail for a period of not more than one year or both such fine and imprisonment.

SEC. 13. At the expiration of two years from the date of granting the permit hereinabove defined and set out if the proposed Corp. has failed to organize then all the subscribers must be refunded the amount paid by each of them to the promoter, trustee or agent; provided that the Secy. may for good cause shown grant an extension of the time for the sale of the securities.

SEC. 14. The terms of this act shall not apply to —

(a) Securities of state, saving or national banks of any state or territory thereof, or any foreign Gov't or of any district, county, township, city, town or other public taxing subdivision of any state or territory of the U. S., including all drainage, county, school or other municipal bonds of this state.

(b) Securities of state, saving or national banks or any state or territory of the U. S., or of trust Co.'s or building and loan Asso.'s of this state including the unsecured commercial paper of such institutions.

(c) Securities of public or quasi-public Corps., the issue of which securities is regulated by any public board or commission now or hereafter created by the laws of this state.

(d) Promissory notes and the Mtgs., contracts, collateral or other things, if any, securing the same, when said notes and securities have, in a bona fide way, been issued, given or acquired in the ordinary

course of legitimate business, trade or commerce.

(e) The stock of any Corp. organized under the laws of this or any other state or territory of the U. S., or of the federal Gov't, provided that under the laws of such state or territory or federal Gov't no capital stock of a Corp. can be legally issued unless the par value of said stock is paid for in full in either cash or property at its actual value before the issuance of such stock and where all property and any other thing given in exchange for such stock other than cash must be valued at not more than its actual cash value by some duly appointed officer or Comr. of such state, territory, or federal Gov't under the laws of which such Corp. is organized and where such stock has been issued in accordance with the provisions of such laws.

(f) The sale of stocks, bonds or other securities at judicial sale or by administrators or executors.

(g) Nor shall the provisions of this act apply to any state bank or Tr. Co. or other banking Corp. organized under the laws of this state.

(h) Nor to the sale of the stock of a Corp. by a bona fide owner of the same who is not intending to act directly or indirectly for a Corp. prohibited by this act.

SEC. 15. All money collected under this act by the Secy shall be accounted for by him as other charter fees coming into his office. The Secy. shall be furnished with all the necessary record books, blanks, folders or filing devices to keep the proper records under this act to be chosen by him and paid for as the other necessary matter is paid for in his office.

SEC. 16. Whenever the Secy. shall deem it necessary to examine the books of any Corp. or proposed Corp. subject to the provisions of this act, or investigate its financial condition he shall do so at the expense of the Corp. or proposed Corp.

under investigation, and the Corp. or agents of same shall pay to the Secy. or his agent making the investigation his actual expenses and \$7.50 per day for such investigation which shall be paid at the end of the investigation by the concern investigated.

SEC. 17. Any person, firm, Asso., Co. or Corp., or any agent or representative thereof, whether subject to the provisions of this act or otherwise, that sells, offers for sale or negotiates for the sale of any stock, bonds, or other securities within this state, and knowingly makes any false representations or statement as to the nature, character or value of such security or the amount of the earning power of such security whether in the nature of interest, dividends or otherwise, or knowingly makes any false or fraudulent representation concerning the financial condition, the assets or the property of the Co., firm or Corp. issuing said security or knowingly makes any other false or fraudulent representation to any person for the purpose of inducing said person to purchase said security or conceals any material fact in the advertisement or prospectus of such security for the purpose of misleading or defrauding the purchaser, shall be guilty of a misdemeanor and upon conviction be punished by a fine of not more than \$2,000 or by imprisonment of not to exceed six months in the county jail or by both such fine and imprisonment.

SEC. 18. When the word "Secy." is used in this act it shall be considered to mean the Secy. of state of Mississippi.

SEC. 19. That if, for any reason any section or part of this act shall be held to be unconstitutional or invalid, then that fact shall not invalidate any other part of this act, but the same shall be enforced without reference to the part so held to be invalid.

SEC. 20. This act shall not in any way apply to or affect co-operative marketing

Corp.'s, clubs or Asso.'s, organized for the purpose of marketing farm produce, which may hereafter be organized or incorporated in this state.

SEC. 21. This act shall be construed to be cumulative of any other law or laws of this state and not as repealing any such law or laws. And this act shall take effect and be in force from and after 60 days after its passage.

## MISSOURI.

Approved April 7, 1913

SEC. 1. DEFINITIONS. Every Corp., copartnership or Co., and Asso. (other than State and Nat. Bks., Tr. Cos., Real Estate Mtg. Cos. dealing exclusively in real estate Mtg. notes, Bld. and Loan Assos., Co-operative Cos., training schools for miners, police and firemen's relief Asso., Bond Inv. Cos., Ins. Cos., Inv. and Brokerage houses dealing (in the opinion of the Bk. Com.) in municipal securities and other high grade stocks, bonds and securities, exposition Cos. and Corps. not organized for profit) organized or which shall be organized in this state, whether incorporated or unincorporated, which shall sell or negotiate for the sale of any stocks, bonds, or other securities of any kind or character (other than bonds of the U. S., of Mo., and notes secured by Mtg. on real estate located in Mo., special road Dist. bonds, tuberculosis hospital bonds, drainage Dist. bonds, levee Dist. bonds, bonds of any county, township, city, town, village or Sch. Dist. or other legal Subdiv. of Mo.) to any person or persons in Mo., other than those specifically exempted herein, shall be known for the purpose of this act as a Domestic Investment Co. Every such Inv. Co. organized in any other State, Ter. or Gov't., or organized under the laws of any other State, Ter. or Gov't., shall be known for the purposes of this act as a Foreign Investment Co. The Bk. Com. may require all Cos. operating as real estate Mtg. Cos. to file affidavit that they are dealing in real estate Mtg. or trust deeds only, and as such not subject to examination.

SEC. 2. FILING DOCUMENTS BEFORE OFFERING SECURITIES FOR SALE.—Before offering or attempting to sell any stocks, bonds or other securities of any kind or character other than those specifically exempted in Sec. 1 of this act to any person or persons or transacting

any business whatever in this state, excepting that of preparing the documents hereinafter required, every such Inv. Co., domestic or foreign, shall file in the office of the Bk. Com. of this state, together with a filing fee of \$25., the following documents to-wit: A statement showing in full detail the plan upon which it proposes to transact business. A copy of all contracts, bonds or other instruments which it proposes to make with or sell to its contributors. A statement which shall show the name and location of the Inv. Co., and an itemized account of its actual financial condition, and the amount of its property and liabilities, and such other information touching its affairs as said Bk. Com. may require. If such Inv. Co. shall be a co-partnership or an unincorporated Asso., it shall also file with the Bk. Com. a copy of its Arts. of co-partnership or Asso., and all other papers pertaining to its organization, and if it be a Corp. organized under the laws of Mo. it shall also file with the Bk. Com. a copy of its Arts. of incorporation, constitution and by-laws, and all other papers pertaining to its organization. If it shall be an Inv. Co. organized under the laws of any other State, Ter. or Gov't., incorporated or unincorporated, it shall also file with the said Com. a copy of the laws of such State, Ter. or Gov't., under which it exists or is incorporated, and also a copy of its charter, Arts. of incorporation, constitution and by-laws and all amendments thereof which have been made and all other papers pertaining to its organization.

SEC. 3. DOCUMENTS VERIFIED, HOW.—All of the above described papers shall be verified by the oath of a member of a co-partnership or Co., if it be a co-partnership or Co., or by the oath of a duly authorized officer, if it be an incorporated or unincorporated Asso. All such papers, however, as are recorded or are on file in any public office shall be further



certified to by the officers of whose records or archives they form a part, as being correct copies of such records or archives.

**SEC. 4. SERVICE ON INV. COS., HOW MADE.—Every Foreign Inv. Co.** now doing or hereafter admitted to do business within this state and not having its principal office in this state, and not having organized under the laws of this state, shall appoint, in writing, the Sec. of State and his successors in office to be its true and lawful attorney, and upon whom all lawful process in any action or proceeding against it may be served, and it [in] such writing agree that any lawful process against it which is served on said attorney shall be of the same legal force and validity as if served upon the Inv. Co., and that the authority shall continue in force so long as any liability remains outstanding in this state. Copies of such certificates, certified by said Sec. of State, shall be deemed sufficient thereof, and shall be admitted in evidence with the same force and effect as the original thereof might be admitted. Service upon such attorney shall be deemed sufficient upon such Foreign Inv. Co. When legal process against any such Foreign Inv. Co. is served upon said Sec. of State, he shall immediately notify the Foreign Inv. Co. of such service by registered letter, prepaid and directed to its Sec. or corresponding officer, and shall, within 2 days after such service, forward in the same manner a copy of the process served on him to such officer. The plaintiff in such process so served shall pay the Sec. of State at the time of such service a fee of \$2, which shall be recovered by him as a part of the taxable costs, if he prevails in the suit. The said Sec. of State shall keep a record of all process served upon him, which record shall show the day and hour when such service was made and by whom made. All Domestic Inv. Cos. shall be served with process in the manner now provided by law for service of process on domestic Corps.

SEC. 5. DUTIES OF BK. COM. AND REQUIREMENTS OF COS.—It shall be the duty of the Bk. Com. to examine the statements and documents so filed, and if said Com. shall deem it advisable he shall make or have made a detailed examination of such Inv. Co's affairs, which examination shall be at the expense of such Inv. Co., as hereinafter provided; and if he finds that such Inv. Co. is solvent, that its Arts. of incorporation or Asso., its constitution and by-laws, its proposed plan of business and proposed contract contain and provide for a fair, just and equitable plan for the transaction of business, the Com. shall issue to such Inv. Co. a statement reciting that such Co. has complied with the provisions of this act, that detailed information in regard to the Co. and its securities is on file in the Com's office for public inspection and information, that such Inv. Co. is permitted to do business in this state, and such statement shall also recite in bold type that the Com. in no wise recommends the securities to be offered for sale by such Inv. Co. But if said Com. finds that such Arts. of incorporation or Asso., charter, constitution and by-laws, plan of business or proposed contract contain any provision that is unfair, unjust, inequitable or oppressive to any class of contributors, or if he decides from his examination of its affairs that said Inv. Co. is not solvent and does not intend to do a fair and honest business, then he shall notify such Inv. Co. in writing of his findings, and it shall be unlawful for such Co. to do any further business in this state until it shall so change its constitution and by-laws, Arts. of incorporation or Asso., its proposed plan of business and proposed contract and its general financial condition in such manner as to satisfy the Com. that it is solvent, and its Arts. of incorporation or Asso., its constitution and by-laws, its proposed plan of business and proposed contract provide for

a fair, just and equitable plan for the transaction of business; *and provided*, that all expenses paid or incurred and all fees or charges received or collected for any examination made under the provisions of this Sec. of this act shall be reported in detail by the Com. and a full report and record thereof made in detail; *and provided further*, that any individual, Asso. or Corp. on receiving notice from the Com. that it shall do no further business in the state, may apply to a judge of the circuit court of the county where the individual, Asso. or Corp. has its main office, if a Domestic Co.; or to a judge of the circuit court of Cole county, if a Foreign Co., for an order addressed to the Com. of banking to show cause why the Com's order should not be revoked, and such judge shall have full power to summarily hear and determine the matter, and to make such provision and order as justice and equity may require.

**SEC. 6. MAY TRANSACT BUSINESS, WHEN.**—It shall not be lawful for any Inv. Co. either as principal or agent, to transact any business, in form or character similar to that set forth in Sec. 1 of this act, except as is provided in Sec. 2 of this act, until it shall have filed the papers and documents above provided for. No amendment of the charter, Arts. of incorporation, constitution and by-laws of any such Inv. Co. shall become operative until a copy of the same has been filed with the Com. as provided in regard to the original filing of charter, Arts. of incorporation, constitution and by-laws, nor shall it be lawful for any such Inv. Co. to transact business on any other plan than that set forth in the statement required to be filed by Sec. 2 of this act, or to make any contracts other than that shown in the copy of the proposed contract required to be filed by Sec. 2 of this act, until a written statement showing in full detail the proposed new plan of transacting business

and a copy of the proposed new contract shall have been filed with the Com., in like manner as provided in regard to the original plan of business and proposed contract, and the consent of the Com. obtained as to making such proposed new plan of transacting business and proposed new contract.

**SEC. 7. AGENT TO REGISTER.**—Any Inv. Co. may appoint one or more agents, but no such agent shall do any business for said Inv. Co. in this state until he shall first register with the Com. as agent, for such Inv. Co., and for each of such registrations there shall be paid to the Com. the sum of \$5. Such registration shall entitle such agent to represent said Inv. Co. as its agent until the 1st day of Mar. following, unless such authority is sooner revoked by the Com.; and such authority shall be subject to revocation at any time by the Com. for cause appearing to him sufficient.

**SEC. 8. INVESTMENT COS. TO FURNISH STATEMENTS.**—Every Inv. Co., domestic or foreign, shall file within 60 days after the close of business on Dec. 31st of each year, and at such other times as required by the Com., a statement verified by the oath of a member of the co-partnership or Co., if it be a co-partnership or Co., or by the oath of a duly authorized officer, if it be an incorporated or an unincorporated Asso., setting forth in such form as may be prescribed by the said Com., its financial condition and the amount of its assets and liabilities, and furnishing such other information concerning its affairs as said Com. may require. Each regular statement shall be accompanied by a filing fee of \$2.50. Any Inv. Co. failing to file its report as herein provided or failing to file any other or special report herein required within 30 days after receipt of request or requisition therefor, shall forfeit its right to do business in this state.

**SEC. 9. BOOKS OF INV. COS.**—The general accounts of every Inv. Co., domestic or foreign, doing business in this state, shall be kept by double entry, and such Co., its co-partners or managing officers, shall at least once in each month make a trial balance of such accounts, which shall be recorded in a book provided for that purpose; such trial balances and all other books and accounts of such Co. shall at all times during business hours, except on Sundays and legal holidays, be open to the inspection of stockholders and to the Com. and his deputies.

**SEC. 10. SUPERVISION AND CONTROL OF INVESTMENT COS.**—The Com. shall have general supervision and control, as provided by this act, over any and all Inv. Cos., domestic or foreign, doing business in this state, and all such Inv. Cos. shall be subject to examination by the Com. or his duly authorized deputies at any time the Com. may deem it advisable and in the same manner as is now provided for the examination of state banks. The rights, powers and privileges of the Com. in connection with such examination shall be the same as is now provided with reference to examination of state banks; and such Inv. Co. shall pay a fee for each of such examinations of not to exceed \$10 for each day or fraction thereof plus the actual traveling and hotel expenses of said Com. or deputy that he is absent from the seat of government for the purpose of making such examination, and the failure or refusal of any Inv. Co. to pay such fees upon the demand of the Com. or deputy while making such examination shall work a forfeiture of its rights to do business in this state.

**SEC. 11. RECEIVERS.**—Whenever it shall appear to the Com. that the assets of any Inv. Co. doing business in this state are impaired to the extent that such assets do not equal its liabilities, or that it is conducting its business in an unsafe, inequi-

table or unauthorized manner, or is jeopardizing the interest of its stockholders or investors in stocks, bonds or other securities by it offered for sale, or whenever any Inv. Co. shall fail or refuse to file any papers, statements or documents required by this act, without giving satisfactory reasons therefor, said Com. shall at once communicate such facts to the Atty-Gen. who shall thereupon apply to the supreme court or to the circuit court where such Co. is located or is doing business, or to a judge of either of said courts for the appointment of a receiver to take charge of and wind up the business of such Co. and if such fact or facts be made to appear it shall be sufficient evidence to authorize the appointment of a receiver and the making of such orders and decrees in such cases as equity may require.

**SEC. 12. PENALTIES FOR FALSE STATEMENTS.**—Any person who shall knowingly or wilfully subscribe to or make or cause to be made any false statements or false entry in any book of such Inv. Co., or exhibit any false paper with the intention of deceiving any person authorized to examine into the affairs of such Inv. Co., or shall make or publish any false statement of the financial condition of such Inv. Co., or the stocks, bonds or other securities by it offered for sale, shall be deemed guilty of a felony, and upon conviction thereof shall be punished by imprisonment in the penitentiary not exceeding 10 years or in the county jail not exceeding 6 months or by a fine of not less than \$200 nor more than \$1,000 or by both such fine and imprisonment.

**SEC. 13. PENALTY FOR NON-COMPLIANCE WITH ACT.**—Any person or persons, agent or agents, who shall sell or attempt to sell the stock, bonds or other securities of any Inv. Co., domestic or foreign, or the stock, bonds or other securities by it offered for sale, who have not complied with the provisions of this act,

or any Inv. Co., domestic or foreign, which shall do any business, or offer or attempt to do any business, except as provided in Sec. 2 of this act, which shall not have complied with the provisions of this act, or any agent or agents who shall do or attempt to do any business for any Inv. Co., domestic or foreign, in this state, which agent is not at the time duly registered and has fully complied with the provisions of this act, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined for each offense not less than \$100 nor more than \$5,000, or by imprisonment in the county jail for not more than 90 days, or both such fine and imprisonment.

SEC. 14. FEES, DEPUTIES AND CLERKS' SALARIES.—All fees herein provided for shall be collected by the Com. and by him shall be turned into the state treasury, and all fees so turned into the treasury, or so much thereof as may be necessary, are hereby re-appropriated to the Com. for the purpose of paying all salaries and expenses necessary for carrying this act into effect; and the Com. is hereby authorized to appoint such clerks and deputies as are actually and absolutely necessary to carry this act into full force and effect. Such [clerks], and deputies shall receive the same salaries as now provided by law as other clerks and deputies in the Dept. of the Com. All money actually and necessarily paid out by the Com. to any clerk or deputy appointed under this act, as salaries, or any money actually and necessarily paid out by the Com., or by any clerk or deputy appointed under this act, for traveling or incidental expenses shall be paid by the state treasury [treasurer] out of such fees upon the state auditor's warrants, to be issued upon sworn vouchers containing an itemized account of such salaries and expenses.

SEC. 15. REPEALS.—All acts or parts of acts in conflict herewith are hereby repealed.





## MONTANA.

Law 1913, C. 85

SECTION 1. The name "Investment Company" as used in this act shall include:

Every Corp., Co., co-partnership or Assn. whether Incorp. or Unincorp. except as otherwise provided in this Act which shall hereafter engage in the business of selling or repairing or negotiating for the sale of, or of taking subscriptions for any stock, bonds or other securities of and kind or character issued by any other Corp., Co., co-partnership or Assn. (other than bonds of the U. S., State, Co. or Municipal bonds or warrants, stock of State or Nat. Bk. located in the State of Montana, Bl'dg. and Loan Assn., Corp. not organized for profit, by notes secured by mortgages for real estate located in the State of Montana), to any person or persons in the State of Montana.

2. Every Corp., Co., co-partnership or Assn. which shall outside of the county in which such land is located sell, offer or negotiate for the sale of any contract for deed, bonds for deed or other papers by whatsoever names such instruments may be designated, not originally issued by such Corp., Co., co-partnership or Assn., providing that when certain payments are made or certain conditions fulfilled a deed or title will be delivered to certain parts or parcels of land.

3. This Act shall not apply to any person, bank, Corp., co-partnership or Assn. of Mont. selling stock or securities actually owned by said person, Corp., co-partnership or Assn., provided that they shall not be engaged in the brokerage business of buying and selling stocks for securities nor shall this be so construed so as to prevent any Corp. either foreign or domestic from selling its own stock, bonds or securities thru an officer or agent of such

Corp. providing that  $\frac{3}{4}$  or more of the assets of said Corp. shall consist of properties situated within the State of Mont.

SEC. 2. The name "Stock-broker" as used in this Act shall include every person set of persons, Assn., Cos., co-partnership or Corp., who shall, in the State of Mont., engage in the business of dealing in stocks, bonds or other securities covered by this Act, selling or offering or negotiating for the sale thereof, or under-writing or purchasing such securities and reselling them to any person or persons, at a Com. or profit.

SEC. 3. The name "Domestic" as used in this Act shall apply to those Invest. Cos. or stock-brokers Incorp. under the laws of Mont. or having their principal office in the State of Mont., and the word "foreign" shall apply to those Incorp. under the laws of another state, or foreign country or having their principal office outside of the State of Mont.

SEC. 4. The name "Agent" as used in this Act shall include any person who shall act for any Invest. Co. or stock-broker in offering for sale, taking subscriptions for or negotiating for the sale, or selling any securities for any Invest. Co. or stock-broker, either as an employee on a salary basis or for a Com.

SEC. 5. It shall be unlawful for any Invest. Co. or stock-broker, or any representative thereof, to sell, offer for sale, take subscriptions for or negotiate for the sale in any manner whatsoever, of any stocks, bonds or other securities of any kind or character, other than those exempted from the provisions hereof by the definitions herein provided, without a permit from the State Invest. Comr. as hereinafter provided.

**Investment Companies.** SEC. 6. Before securing such permit it shall be necessary for each and every Invest. Co. to file in the office of the Invest. Comr., together with a filing fee of \$25, the follow-

ing papers, documents, etc., together with such other information and documents as said Invest. Comr. shall deem necessary in each case, to-wit:

1. An itemized statement of its actual financial condition and the amount of its properties and liabilities.

2. A copy of all contracts, bonds or other securities which it proposes to make with or sell to its contributors.

3. Sample copies of all literature or advertising matter used or to be used by such Invest. Co.

4. A copy of its constitution and by-laws, or articles of co-partnership or Assn.

5. If it shall be an Incorp. Invest. Co., it shall also file a copy of its charter, and if it be a foreign Invest. Co., such copy shall bear the C't'f of the Sec. of State, or other state officer having custody of such records, that it is a true, complete and correct copy.

SEC. 7. All of the above described papers shall be verified by the oath of a duly authorized member of a co-partnership or Assn., if it be a co-partnership or Assn., and by the oath of the Pres. and Sec., if it be Incorp., provided that the Invest. Comr. shall have the power to require such officers to make affidavit to such other reports or information as he may call for.

SEC. 8. Every foreign Invest. Co. shall also file its written consent, in such form as may be approved by the Invest. Comr., that actions may be commenced against it, in the proper court of any Co. in this State in which a cause of action may arise or in which the plaintiff may reside, by the service of process on the Invest. Comr. agreeing that such service of process on the Invest. Comr. shall be taken and held, in all courts, to be as valid and binding as if due service had been made upon the Co. itself, according to the laws of this or any other state, and such written consent for service of process shall be irrevocable. Such written consent shall be accompanied

by a certified copy of an order or resolution of the board of directors, trustees, owners or managers of such Invest. Co. authorizing the execution of same. When a case shall be brought, the summons shall be directed to the Invest. Comr., and shall require the defendant to answer by a certain day, not less than 40 days nor more than 60 days from the date thereof. Said summons shall be forthwith forwarded by the clerk of the court to the Invest. Comr., who shall immediately forward a copy thereof to the Sec. of the Corp. sued, by registered mail, and thereupon the Invest. Comr. shall make return of said summons to the court whence it issued, showing the date of its receipt by him, the date of forwarding such copy, the name and address of the person to whom he forwarded said copy, and the costs of service and return thereof, which in each case shall be \$2.50. Such return shall be under his hand and seal of office, and shall have the same force and effect as a due and sufficient return made by the sheriff on process directed to him. The Invest. Comr. shall keep a suitable record book, in which he shall docket each action commenced against a foreign Invest. Co. as aforesaid. This record shall show the court in which the suit is brought, the title of case, the time when commenced, the date and manner of service, and the date of payment of fee taxed as costs in the case.

SEC. 9. It shall be the duty of the Invest. Comr. to examine the statements and documents so filed, and if said Invest. Comr. shall deem it advisable, he shall make or have made a detailed examination, audit an investigation of such Invest. Co's affairs, providing that such Invest. Co. may at its option, in writing, refuse to have such investigation made, in which event said Invest. Comr. shall reject its application. If he finds that such Invest. Co. is solvent, that its articles of Incorpor. or Asso., its constitution and by-laws, its proposed

plan of business and proposed contracts contain and provide for a fair, just and equitable plan for the transaction of business, and in his judgment promises a fair return on the stocks, bonds, or other securities by it offered for sale, the Invest. Comr. shall issue to such Invest. Co. a statement, entitling it to sell such securities in the State of Mont., and reciting that such Co. has complied with the provisions of this Act, that detailed information in regard to the Co. and its securities is on file in the Invest. Comr.'s office, that such Invest. Co. is permitted to do business in this State; and such statement shall also recite in bold type that the Invest. Comr. in no wise recommends the securities to be offered for sale by such Invest. Co. Such permit, however, shall be subject to revocation at any time by the Invest. Comr. for cause to him sufficient. But if said Invest. Comr. finds that such articles of Incorp. or Asso., charter, constitution and by-laws, plan of business or proposed contract contain any provision that is unfair, unjust, inequitable or oppressive to any class of contributors, or if he decides from his investigation or examination of its affairs that said Invest. Co. is not solvent, or does not intend to do a fair and honest business, or in his judgment does not promise a fair return on the stocks, bonds or other securities by it offered for sale, then he shall not grant such Co. a permit as herein provided and shall notify said Co. in writing of his decision.

**Stock brokers.** Sec. 10. The foregoing Sec. 6, 7, 8 and 9 shall apply to stock brokers, providing that stock brokers shall not be required to file a copy of each stock, bond or other security it shall handle, and that said Invest. Comr. shall make special investigation and ascertain the reputation of such stock broker, especially as to the class of stocks, bonds and other securities handled by such broker, and that the granting of a permit of such stock broker shall

be further contingent upon such stock broker having the reputation of handling such stocks, bonds and other securities as said Invest. Comr. shall decide to be good legitimate investment. Such permit shall entitle such stock broker to handle such stock, bonds and other securities in the State of Mont. as are not objected to by the Invest. Comr., providing that such stock broker shall file on the first day of each month a list of the stocks, bonds and other securities on bonds for sale, and handled by it during the preceding month; and providing further, that said Invest. Comr. shall have authority to prohibit said stock broker from handling any such issues at any time, or to cancel said broker's permit at any time he decides that said broker is not handling such securities as he deems good legitimate investments.

SEC. 11. An appeal may be taken from the decision of the Invest. Comr. refusing to grant a license to any Invest. Co. or stock broker, to the State Board of Examiners of this State. Such appeal shall be taken by filing with said State Board of Examiners an application for a hearing on its case. When such hearing is set, it shall be the duty of the Invest. Comr. to produce for the inspection and consideration of the State Board of Examiners all papers regarding such company on file in his office and other information, and such State Board of Examiners shall have authority to call for any additional information it may desire under oath from the company or stock broker under consideration. If said State Board of Examiners shall reverse the decision of the Invest. Comr, it shall so notify him in writing, and it shall then become the duty of the Invest. Comr. to forthwith issue said applicant a permit.

SEC. 12. No amendment of the charter, articles of Incorp., constitution or by-laws of any such Invest. Co. shall become operative until a copy of the same has been filed with the Invest. Comr. as provided in

regard to the original filing in Sect. 6 of this Act, nor shall it be lawful for such Invest. Co. to transact business on any other plan than set forth in its application, or to make any contracts other than that shown in copy of proposed contract required under Sect. 6 of this Act, until a written statement showing in full detail the proposed new contract shall have been filed with the Invest. Comr., in like manner as provided in regard to the original plan of business and proposed contract, and the consent of the Invest. Comr. obtained as to making such proposed new plan of business or contract.

SEC. 13. Any Invest. Co. or stock broker may appoint one or more agents, but no such agent shall do any business as provided in this Act for said Invest. Co. or stock broker in this State until he shall be registered with the Invest. Comr. as an agent of such Invest. Co. or stock broker, and for each of such registrations there shall be paid to the Invest. Comr. the sum of \$1, and said Invest. Comr. shall issue to each agent so registered an individual permit, entitling him to represent such Invest. Co., or stock broker in the State of Mont. as its agent until the 1st day of March following, when it shall be necessary to re-register such agent. Such permit, however, shall be subject to revocation at any time by the Invest. Comr. for cause appearing to him sufficient.

SEC. 14. Every Invest. Co. or stock broker licensed under this Act shall file at the close of business Dec. 31st, of each year, and such other times as required by the Invest. Comr., a statement setting forth in such form as may be prescribed by said Invest. Comr, its financial condition, amount of its properties and liabilities, and such other information concerning its affairs as said Invest. Comr. may require. Each such statement shall be accompanied by a filing fee of \$2.50. Any Invest. Co. or stock broker failing to file its report

as herein provided within 10 days of the dates herein specified, or failing to file any special report within 30 days after receipt of request from the Invest. Comr. thereof, shall forfeit its right to do business in this State by reason thereof.

SEC. 15. The general accounts of every Invest. Co., domestic or foreign, doing business in this State; shall be kept in such manner and form as may be prescribed by the Invest. Comr. and all books, papers, business, methods and affairs of such Invest. Co. shall be at all times subject to inspection and investigation by said Invest. Comr. or any person thereto by said Comr. authorized and designated for the purpose of enforcing the provisions of this Act. The Invest. Comr. shall have the power of a court of general jurisdiction to enforce the attendance of witnesses and production of evidence by subpoena, attachment and punishment, which said power shall extend throughout the State; said Comr. shall have power to take testimony under deposition either within or without the State.

SEC. 16. The Invest. Comr. shall have general supervision and control, as provided by this Act, over any and all Invest. Cos. and stock brokers, domestic or foreign, licensed under this Act, and all such Invest. Cos. or stock brokers shall be subject to Exam. by the Invest. Comr. or his duly authorized agents, or deputies at any time the Invest. Comr. may deem it advisable and in the same manner as is now provided for the Exam. of State banks. The rights, powers and privileges of the Invest. Comr. in connection with such Exam. shall be the same as is now provided with reference to the Exam. of State banks. Such Invest. Co. or stock broker shall pay a fee for each Exam. made by said Invest. Comr., or his deputies or agents, of not to exceed \$10 for each day or fraction thereof plus the actual traveling and hotel expenses of said Comr., or his agent or deputy, that he is absent from the Capitol



Bldg. for the purpose of making such Exam., and the failure or refusal of any Invest. Co. or stock broker to pay such fees upon the demand of the Invest. Comr., or his deputy or agent, while making such Exam., shall work a forfeiture of his or its right to do business in this State.

SEC. 17. It shall be unlawful for any Invest. Co. or stock broker or his or its agent to issue, circulate or deliver any advertisement, pamphlet, circular or other document in regard to his or its stocks, bonds or other securities in the State of Mont. until after such Invest. Co. or stock broker shall have been licensed to sell his or its securities in the State of Mont. as provided in this Act, and it shall be unlawful for any such licensed Invest. Co. or stock broker or his or its agent to issue, circulate or deliver any such advertisement, pamphlet, circular or other document, unless the same shall be signed and bear a serial number and a copy thereof first filed with the Invest. Comr. and the approval of the Invest. Comr. obtained thereto, nor shall it be lawful for such Invest. Co. or stock broker or his or its agent to issue, circulate or deliver such advertisement, etc., after he or it has been notified of objection thereto by said Invest. Comr.

SEC. 18. Whenever it shall appear to the Invest. Comr. that the assets of any Invest. Co. doing business in this State are impaired to the extent that such assets do not equal its liabilities, or that it is conducting its business in an unsafe, inequitable or unauthorized manner, or is jeopardizing the interests of its stockholders or the investors in stocks, bonds or other securities by it offered for sale, or whenever any Invest. Co. shall refuse to file any papers, statements or documents required under this Act, or shall refuse to permit an Exam. by said Invest. Comr., or his deputies or agents, as provided in this Act, without giving satisfactory reasons therefor, said

Invest. Comr. shall at once cancel its permit, and if he shall deem advisable, shall communicate such facts to the attorney-general, who shall thereupon at once make an investigation, and if the facts as presented to him by the Invest. Comr. are substantiated, he shall thereupon apply to a court of competent jurisdiction for the appointment of a receiver to take charge of and conclude the business and affairs of such Invest. Co., and if such fact or facts be made to appear it shall be sufficient evidence to authorize the appointment of a receiver and the making of such orders and decrees in such cases as equity may require.

SEC. 19. All papers, documents and other instruments filed with said Invest. Comr. under this Act shall be subject to inspection of any one affected by this Act upon application therefor, except that the Invest. Comr. may, in his discretion, withhold any information relating to the affairs of any Invest. Co. or stock broker that, in his judgment, is not required for the best interests of its stockholders and the public welfare.

SEC. 20. It shall be unlawful for any Invest. Co., after it has been granted a permit under the provisions of this Act, to issue, sell or distribute any stocks, bonds or other securities for promotion or for any other causes, or on any other conditions than those set forth in its application, without first securing the approval of the Invest. Comr. therefor. Neither shall it be lawful for any Invest. Co., after it has been granted a permit under the provisions of this Act, to pay any dividends in stocks, bonds or other securities without the approval of the Invest. Comr.

SEC. 21. Any person who shall knowingly or wilfully subscribe to, or make or cause to be made, any false statements or false entry in any book of such Invest. Co. or stock broker, or exhibit any false paper with the intention of deceiving any

person authorized to examine into its affairs, or who shall make or publish any false or misleading statements of its financial condition or of the stocks, bonds or other securities by it offered for sale, shall be deemed guilty of a felony, and, upon conviction thereof, shall be fined not less than \$200 nor more than \$10,000, and shall be imprisoned for not less than one year nor more than 10 years in the State penitentiary.

SEC. 22. Any person or persons, agent or agents, Invest. Co. or stock broker who shall violate any of the provisions of this Act shall be deemed guilty of a felony, and upon conviction thereof shall be fined for each offense not less than \$100, nor more than \$10,000, or by imprisonment in the State penitentiary for not less than 90 days nor more than one year, or by both such fine and imprisonment.

SEC. 23. All fees herein provided for shall be collected by the Invest. Comr. and by him shall be turned into the State Treasury, and all fees so turned into the State Treasury are hereby reappropriated to the Invest. Comr. for the purpose of paying all salaries and expenses necessary for the proper carrying this Act into effect; and the Invest. Comr. is hereby authorized to appoint such clerks, deputies and agents as are actually and absolutely necessary to carry this Act into full force and effect, none of whom shall be related by blood or marriage to such Invest. Comr. or any of his deputies, or agents. All money actually and necessarily paid out by the Invest. Comr., or any clerk, or deputy or agent, appointed under this Act, as salaries, or any money actually and necessarily paid out by the Invest. Comr., or by any clerk or deputy or agent appointed under this Act, for traveling or incidental expenses shall be paid by the State Treasurer out of such fees upon the State Auditor's warrants, to be issued upon sworn vouchers

containing an itemized account of such salaries and expenses.

**SEC. 24.** The office of Invest. Comr. is hereby created and the State Auditor of Mont. is hereby made and constituted ex-officio Invest. Comr.

**SEC. 25.** Should the courts declare any Sec. of this Act unconstitutional or unauthorized by law or in conflict with any other section or provision of this Act, then such decision shall affect only the Sec. or provision so declared to be unconstitutional or void and shall not affect any other section or part of this Act.

**SEC. 26.** No Invest. Co. or stock broker as defined in this Act, now organized, or in process of organization in this State, shall be compelled to comply with the provisions of this Act until January 1, 1914.

**SEC. 27.** All acts and parts of Acts in conflict herewith are hereby repealed, in so far as they conflict with this Act.

**SEC. 28.** This Act shall take effect and be in force from and after its passage and approval by the Governor.





## NEBRASKA.

## Session Laws 1919.

Copy in new law of 1919 taking the place of the law in Rollins. A complete change from old law; alteration impossible.

**SECTION 1. Definition of terms.** The term "securities" as used in this article shall be taken to mean stock certificates, shares, bonds, debentures, C't'f's. of participation, or other instruments in the nature thereof, by whatsoever name known or called, or undivided interests in the capital, property, assets, profits or business of any Corp., partnership joint stock Co., declaration of Tr. Assoc. or other Assoc., or individual.

The term "stock" shall mean and include all shares or undivided Ints. in the capital, property, assets, profits or business of any Corp., partnership, joint stock Co., or other Assoc. or individual, whether evidenced by written or printed C't'f's or not.

The term "person" shall include every Corp., partnership, joint stock Co., declaration of Tr. Assoc., and every other character of Assoc., and every individual, whether such Corp., partnership, joint stock Co. or Assoc. is foreign or domestic and whether such individual is a resident or non-resident of this state.

**SEC. 2. Securities exempt.** The provisions of this Art. shall not apply to the disposal of securities; (a) To a licensee under this Art.; nor shall they apply to (b) Bonds of a municipality, government or governmental agency; (c) Bonds or notes secured by 1st Mtg. liens upon real estate; (d) Stock and securities issued by Nat. banks; (e) Stocks and securities issues by state banks, Ins. Cos., Bldg. and loan Assocs. and Tr. Cos., when such Corps. are legally authorized to do business in this state; (f) Stocks and securities

issued by authority of the Nebraska State Rwy. Com.; (g) Stocks and securities of domestic Corps. or Assocs. organized not for profit, but solely for religious, educational or charitable purposes; (h) Stocks and securities acquired by the owner in the usual course of business, owned and held in good faith, and sold in the usual course of business when the expenses of sale shall not directly or indirectly, exceed 2% of the sale price.

**SEC. 3. Permits required.** Every person, before selling or negotiating for the sale of any securities not specially exempted from the provisions of this Art., shall apply to the Dept. for a permit in the manner hereinafter set forth.

**SEC. 4. Application for permit and accompanying exhibits.** No person either as principal, or through brokers or agents, shall sell or offer for sale or, by means of any advertisement circular or prospectus, or by any other form of public offering, attempt to promote the sale of any securities in this state, unless there shall first have been filed with the department (1) A verified written application setting forth the name of the applicant, the names and addresses of all stockholders and subscribers for stock, the amount of stock held or subscribed for by each, a statement of the assets and liabilities of the applicant, the total amount of such securities, and of all securities prior in time and superior in interest or lien, the nature of the business transacted or to be transacted, the amounts and kinds of stock desired to be issued and such other information as the department may require; (2) A copy of the securities to be offered; (3) If such securities are secured by Mtg. or other lien, a copy of such Mtg. or of the instrument creating such lien, and a competent appraisal or valuation of the property covered thereby, with a specific statement of all prior liens thereon, if any; (4) A full



statement relative to the character or value of such securities or of the property or earning power of the Co. making or issuing or guaranteeing the same; (5) A copy of any advertising matter which is to be used in connection with such promotion, and no advertising matter shall be used unless a correct copy of the same shall have been filed as herein provided; (6) The names and addresses of any and all agents by or through whom such securities are to be sold, and no agent shall be employed unless such information shall have been filed, and unless there shall have been paid into the state treasury a registration fee of \$1 for each such agent, which fee shall be payment in full of all fees for registration of such agent until and including the 1st day of March next following; (7) A statement showing in detail the plan on which the business or enterprise is to be conducted; (8) A true copy of the articles or agreement of incorporation or co-partnership, together with a copy of the charter and by-laws, if the securities be issued by a Corp.

**SEC. 5. License fees.** The application shall be accompanied by a receipt from the state treasurer for \$10 for co-operative Cos. and all other organizations coming within the provisions of this article having a capital not exceeding \$25,000 and a receipt for \$25 in all other cases.

**SEC. 6. Forms prescribed by department.** The Dept. shall prescribe the forms of applications and the forms of all other blanks and documents to be used in connection with the administration hereof.

**SEC. 7. Examination by department—expense.** The Dept. shall make a careful examination concerning the application and such other matters as it may deem necessary. The expenses of such examination shall be borne by the applicant who shall make a sufficient deposit to cover such expenses.

**SEC. 8. Public hearings.** When demanded a public hearing shall be had upon the application as soon as may be after the examination by the Dept. at which hearing witnesses may be heard on behalf of the applicant, the Dept., or any person desiring to resist the application.

**SEC. 9. Power of department to subpoena.** The Dept. shall have authority to issue subpoenas to bring witnesses from any part of the state, and such witnesses shall receive the same fees and mileage as witnesses in the district court. Any person who shall fail to obey a subpoena so issued, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, be fined in the sum of \$100.

**SEC. 10. Permit — when issued.** If the Dept. find that the applicant has complied with all the requirements of law, and that there is no fraud in the proposed plan of organization or of doing business, or in the proposed sale of securities, the Dept. shall issue to the applicant a permit to sell stock and securities for 1 year, in such amount as the Dept. may determine. No stock shall be sold at less than par value or above par, except with the permission of the Dept., and all stock must be paid for either in money, in property, or in services at their actual market value. No watered or bonus stock or security shall be issued. All common and preferred stock shall have equal voting power.

**SEC. 11. Bond — when required.** The Dept., as a condition precedent to the issuance of any permit herein provided for, may require all officers, agents and persons handling moneys of the applicant to be sufficiently bonded.

**SEC. 12. Permit — when required.** If the Dept. shall find that the applicant is insolvent or has not complied with all the requirements of law, or that there is fraud in the proposed plan of doing business or in the sale of securities, or that the appli-

cant has not sufficient net assets on which to base an issue of stock or securities, such application shall be denied.

**SEC. 13. Appeals.** An appeal may be taken, by any person interested, from any order of the Dept. to the district court of Lancaster County, Nebraska, as appeals are taken from boards of county commissioners.

**SEC. 14. Changes in articles of incorporation—notice to department.** No business shall be transacted or attempted to be transacted after any change in the Arts. of Incorp. or Assoc., without notice to and the approval of the Dept.

**SEC. 15. Appointment of agents.** When a permit shall have been granted to any applicant, such applicant may appoint agents to sell its stock or securities by making application to the Dept. accompanied by a receipt from the state treasurer for \$1 and a showing that such agent is a proper person.

**SEC. 16. Expenses of marketing stock—how paid.** The Dept. may authorize the use and expenditure of a reasonable percentage of the par value of stock or securities for the purpose of marketing the same but in no event shall the Dept. allow to exceed 15% of the par value of such stock or securities for such purpose. In addition thereto the Dept. may allow not to exceed 2½% of the par value of such stock and securities to be used for the purpose of paying the expenses of organization and promotion.

**SEC. 17. Non-resident sellers of stock—power of attorney.** Prior to issuing or selling any stocks or securities the applicant, if a non-resident of the State, and under the supervision of this Art. shall file with the Dept. an irrevocable power of attorney making the Sec. of the Dept. the attorney in fact of the applicant and all process issued in this State against the applicant in any Sec. instituted in the

county where the cause of action arose, may be served upon said attorney with same force and effect as if such applicant were a domestic company having its principal office in such county.

**SEC. 18. Account filed.** Every person within the purview of this Art. shall, while selling securities under the permit therein provided for, on or before March 1st, of each year, file with the Dept. a balance sheet and an income and property account for the year ending the 31st day of Dec. preceding, and shall, at any time, upon request of the Dept. file such a showing and submit to an examination of the records and affairs by the Dept.

**SEC. 19. Powers of department — revocation of permits.** Except as otherwise specifically provided herein the Dept. shall have general supervision, regulation and control over the issuance of stocks and securities as defined in this Art. and shall have authority to revoke any permit granted, after notice and hearing for the infraction of any provision of this Art., or any order of the Dept. or for fraud or deceit in the sale of securities.

**SEC. 20. Unlawful to declare unearned dividends.** No applicant receiving a permit under this Art. shall declare a Div. in any amount whatsoever, unless such Div. has been earned.

**SEC. 21. Power of department to institute and prosecute civil actions.** In administering this Art., the Dept. is authorized and empowered to institute and prosecute in its name all civil actions, both legal and equitable, including mandamus and quo warranto.

**SEC. 22. Employment of assistants.** —The Dept. is authorized to employ such assistants as may be necessary to properly administer this article. It shall also fix their compensation.

**SEC. 23. Violation — penalty.** Any person within the purview hereof, failing to

file any statement required, shall be deemed guilty of a misdemeanor and shall be fined not more than \$100 for each day in default. Any person refusing to submit to the examination herein provided shall be deemed guilty of a misdemeanor, and shall be fined not less than \$100. Any person selling or negotiating the sale of any stock or securities, not herein exempt, without a permit from the Dept. as herein provided, shall be deemed guilty of a misdemeanor and shall be fined not less than \$100 nor more than \$1000, and the sale or negotiating for sale of such share of stock and each security shall constitute a separate offense.

**SEC. 24. Conversion of funds to unauthorized purpose — penalty.** If any person as provided by this Art., shall after procuring a license to sell the stocks and securities as provided herein, sell the same in accordance with the license procured and shall thereafter convert the funds procured from such sale to a different purpose or in a different manner than that which was represented to the Dept. and upon which the license of the Dept. was issued, such person shall be guilty of a felony and upon conviction thereof shall be punished by imprisonment in the penitentiary for not less than 1 year nor more than 10 years.



## NEW HAMPSHIRE

Passed 1917 Session

SEC. 1. Under this act, the term dealer shall mean any individual, partnership, Asso. or Corp. engaging in the selling or offering for sale of securities, except to or through the medium of, or as agent or salesman of, a registered dealer. But sales made by or in behalf of a vendor in the ordinary course of bona fide personal investment of his personal holdings or change of such investments shall not constitute such vendor or the agent of such vendor, if not otherwise engaged either permanently or temporarily in selling securities, a dealer in securities. Nor shall the offer of or sale of its own securities by an Asso. or a Corp. to its own members or stockholders constitute such Asso. or Corp. a dealer in securities nor in the case of the foundation of a N. H. Corp. organized to do business within the state shall the offer of a sale of its securities by such Corp. constitute it a dealer in securities. The term "securities" shall include all classes of stocks, bonds, debentures or certificates of participation.

SEC. 2. No dealer in securities shall in this state by direct solicitation or through agents or salesmen or by letter, circular or advertising, sell, offer for sale, or invite offers for or inquiries about securities unless registered as a dealer under the provisions of this act. No salesman or agent shall in this state in behalf of any dealer, sell, offer for sale, or invite offers for or inquiries about securities unless registered as a salesman or agent of such dealer under the provisions of this act.

SEC. 3. Any dealer desiring registration shall file written application therefor with the insurance commissioner accompanied by a registration fee of \$25, the fee to be returned if the application is not granted.

The application shall be in such form as may be prescribed by the Com'r and shall state in writing the principal place of business, the name or style of doing business, and the address of the dealer, the names, residences and business addresses of all persons interested in the business as principals, officers, directors or managing agents, specifying as to each his capacity and title, and the length of time during which the dealer has been engaged in the business. Every non-resident dealer shall file a power of attorney, irrevocable, properly authorized, and with satisfactory C't'fs. or other evidence of the authorization, appointing the Com'r his agent for the service of legal process upon the dealer in any action in the courts of this state based upon or arising in connection with any sale of, attempt to sell, or advertising of securities in this state, or any violation of this act. Upon the filing of the application the Com'r shall forthwith give notice of the fact and date of such application and of the name, principal place of business and address of the dealer, by advertisement inserted in one or more newspapers of general circulation. The registration C't'f. shall not be issued before the expiration of 2 weeks from the completion of such publication. Any person may within such 2-weeks period file objection to the proposed registration. Each application shall be accompanied by C't'fs. or other evidence sufficient to reasonably establish the dealer's good repute. The Com'r may make such other and further investigation thereof as he may deem desirable. Upon being satisfied of the dealer's good repute the Com'r shall, in case no objection to the proposed registration be filed, register the dealer. If the Com'r shall not be satisfied of the dealer's good repute or if, within the 2-weeks period succeeding the publication aforesaid, objection shall be made to the proposed registration, he shall give notice



of either fact to the dealer, and upon request from the dealer shall fix a time and place for hearing of which 14 days' notice shall be given by mail to the dealer and to the objectors; and at such hearing opportunity shall be given to said dealer and to any other persons interested or objecting to offer further evidence as to the dealer's character and repute. If satisfied as a result of such hearing of the dealer's good character and repute in business, the Com'r shall thereupon register the dealer. Upon registration of any dealer a registration C't'f. shall be issued stating the name, principal place of business and address of the dealer, the names, residences and business addresses of all persons interested in the business as principals, officers, directors or managing agents, and the fact that the dealer has been registered for the current calendar year as a dealer in securities. The C't'f. shall in other respects be in such form as the Com'r may determine, but shall state in bold type that the Com'r does not recommend and assumes no responsibility for, securities offered by the dealer. Certified copies of this C't'f. shall be furnished to the dealer at \$1 each. Changes in the C't'f. necessitated by changes in the personnel of a partnership, or in the principals, officers, directors or managing agents of any dealer, may be made at any time upon written application to the Com'r, accompanied by statement of the facts necessitating the change upon the payment of the required fee of \$1. Upon the issue of the amended C't'f., the original C't'f. and the certified copies thereof outstanding shall be promptly surrendered to the Com'r for cancellation.

SEC. 4. Upon written application by a registered dealer, accompanied by a registration fee of \$10 for each person, the Com'r shall, if he is satisfied that they are suitable persons, register, as agents or salesmen of such dealer, such persons as

the dealer may request. The application shall be in such form as the Com'r may prescribe and shall state the residences and addresses of the persons whose registration is requested. The Com'r shall issue to each person so registered a registration C't'f. stating his name, residence and address, the name, principal place of business and the address of the dealer, and the fact that he is registered for the current calendar year as agent or as salesman (as the case may be) of the dealer. The C't'f. shall in other respects be in such form as the Com'r shall determine, but shall state in bold type that the Com'r does not recommend or assume any responsibility for securities offered by the dealer or the dealer's agents or salesmen. Such registration of agents may be renewed from year to year upon the request of the dealer and the payment of the registration fee of \$10. Upon application by the dealer, the registration of any agent or salesman shall be cancelled.

SEC. 5. All registrations of dealers or agents shall expire at the close of the calendar year, but new registrations of dealers for the succeeding year shall be issued as of course without the filing of further statements or furnishing any further information, unless specifically requested by the Com'r, upon written application of the dealer and payment of a registration fee of \$25 for each registration.

SEC. 6. The Com'r shall at least twice during each year publish in a state paper a list of the then registered dealers, and of their registered agents or salesmen, and shall also at any time on request by mail or otherwise inform any inquirer as to whether or not any individual, partnership, Corp. or Asso. is registered either as dealer, agent or salesman.

SEC. 7. Any dealer may, and any person named in a registration C't'f. as above

provided may, in behalf of any dealer, sell, offer for sale or invite offers for or inquiries about securities in this state, but shall at all times when so engaged carry with him the registration C't'f., or a copy thereof certified by the Com'r, which shall at any time be shown to any prospective customer upon request. No dealer, agent or salesman shall advertise publicly the fact of his registration or use such fact or the registration C't'f. in connection with any sale or effort to sell securities, except by statement of the fact or by exhibiting the C't'f. or a certified copy thereof.

SEC. 8. The Com'r may require a dealer to file with him a list of the securities which he is at the time offering or is about to offer for sale, and if he deem it expedient he may require the filing of statements of assets, liabilities and earnings, or any other facts he may deem pertinent in relation to any of the securities offered or to be offered by the dealer or the Assos. or Corps. issuing them; and may require the filing of copies of any or all printed or otherwise reduplicated circulars or printed advertisements relating to securities which the dealer has within 6 months offered for sale or which the dealer shall thereafter offer for sale; and, thereupon if the Com'r is of the opinion that such securities are of such a character that there is a serious financial danger to the purchaser in buying them or that the circulars and advertisements do not disclose pertinent facts sufficient to enable intending purchasers to form a correct judgment of the nature and value of the securities, he may prohibit the dealer from selling or offering the securities, or any of them, or in any way advertising the same; but nothing in this Sec. shall be construed to require a registered dealer to file with the Com'r any statement circular or advertisement as a condition precedent to the selling or offering of any security

or to refrain from the selling or offering of any security at any time unless the selling or offering of such security shall have been thus specifically prohibited by the commissioner.

SEC. 9. The Com'r may, unless furnished with satisfactory evidence as provided in the preceding Secs., or in case of violation of any provision of this act, or in case of dishonest, deceitful or fraudulent conduct on the part of any dealer in connection with the carrying on of the business, revoke such dealer's registration, and may, having reasonable cause to believe that any dealer has been guilty of violation of the provisions of this act, or of dishonest, deceitful or fraudulent conduct in connection with the carrying on of the business, suspend such dealer's registration until satisfied to the contrary. In either case the dealer shall not be regarded as registered under the provisions of this act until restored to registration by the Com'r. The revocation or suspension of the dealer's registration shall constitute a revocation or suspension of the registration of any agent or salesman of the dealer. The Com'r may, in case of violation of any provision of this act, or in case of dishonest, deceitful or fraudulent conduct, on the part of any agent or salesman in connection with the business, revoke such agent's or salesman's registration; and may, having reasonable cause to believe that any agent or salesman has been guilty of violation of the provisions of this act, or dishonest, deceitful or fraudulent conduct in connection with the business, suspend the agent's or salesman's registration until satisfied to the contrary. In either case, the agent or salesman shall not be regarded as registered under the provisions of this act, until restored to registration by the Com'r. In case of suspension or revocation of registration,

all C't'fs. shall at once be surrendered to the Com'r upon his request.

SEC. 10. Notice of any requirement or decision of the Com'r shall be sufficient if sent by mail addressed to the dealer, agent or salesman, as the case may be, at the address designated in the application for registration.

SEC. 11. Nothing in this act shall apply to the banks or Tr. Cos. of this state acting as agents for their customers in the purchase of securities.

SEC. 12. Any dealer or any person violating any provision of this act, or knowingly filing with the Com'r or furnishing to him any false or misleading statements or information, shall be punishable upon conviction thereof by a fine of not more than \$2,000, or by imprisonment for not more than 6 months, or by both such fine and imprisonment; and such false or misleading statements or information so furnished shall be evidence in court that any sales of such stock or bonds made thereafter were made on false representation in a suit to recover damages on account of loss sustained through the purchase thereof. \* \* \*

SEC. 14. This act shall take effect on its passage but no registration shall be necessary or become effective under this act before the first day of September, 1917.



## NORTH CAROLINA.

Laws, 1913, Chap. 156

SECTION 1. That subchapter 14, chapter 100, Revisal of 1905 of North Carolina, Sec. 4805, be amended by adding the following:

(1) 4805a. *License; capital; supervision.* Every Corp., Co., copartnership, or Asso., all of which are in this act termed company, organized, proposed to be organized, or which shall hereafter be organized without this State, whether incorporated or unincorporated, which shall in this State sell or negotiate for sale of any stocks, bonds, or other evidences of property or interest in itself or any other Co., all of which are in this act termed securities, upon which sale or proposed sale the whole or any part of the proceeds are used, or to be used, directly or indirectly, for the payment of any Com. or other expenses incidental to the organization or promotion of any such Co., shall be subject to this act.

(1) Provided that this act and its provisions shall apply also to every Corp., Co., copartnership or Asso. organized in this State, where such Co. or organization by its organizers or promoters puts or proposes to put the stock of the Co. on the market in person or by agents.

(2) Before offering or attempting to sell any such securities to any person or persons, doing or offering to do any business whatever in this State, excepting that of preparing the documents hereinafter required, every such Co. shall file in the office of the Insurance Commissioner of this State, together with the fees prescribed for fidelity Cos., the following documents, to wit: A statement showing in full detail the plan upon which it proposes to transact business. A copy of all applications for and forms of contracts,

securities, bonds, or other instruments which it proposes to make with or sell to its contributors. A statement which shall show the name, location, and head office of the Co. and an itemized account of its actual financial condition, and the amount of its property and liabilities, and such other information and in such form touching its affairs as said officer may require. It shall also file with the said Ins. Comr. a copy of the laws of such State, Ter., or Gov't under which it exists or is incorporated, and also a copy of its charter of its home State and C'tf of the proper officer of such State that it is authorized to do business therein, articles of incorporation, constitution and by-laws, and all amendments thereof which have been made, and all other papers pertaining to its organization; and shall, to do business in this State, be licensed by the Ins. Comr., which the Comr. is authorized to do when he is satisfied that such Co. or Corp. is safe and solvent and has complied with the laws of this State applicable to fidelity Cos. and governing their admission and supervision by the Insurance Department.

(3) No advertisement, pamphlet, circular, or other document shall be issued, circulated, or delivered by such Co. or its agent within this State, unless the same shall bear a serial number, and a copy thereof shall first have been filed with the Ins. Comr., nor after such Co. has been notified of objection thereto by said officer.

(4) No person, for the purpose of organizing or promoting any Co., or promoting the sale of securities of such Co. by it after organization, as principal or agent, shall sell or agree or attempt to sell within this State any securities in such Co. unless the contract of subscription or of sale shall be in writing and contain a provision in the following language:



(a) "No sum shall be used for Com., promotion, and organization expenses on account of any share of stock in this Co. in excess of 1% of the amount actually paid upon separate subscriptions (or in lieu thereof may be inserted: or \$1 per share from every fully paid subscription) for such securities, and the remainder of such securities shall be held or invested as authorized by the law governing such Co. and held by the organizers (or trustees as the case may be), and the directors and officers of such Co. after organization as bailees for the subscriber, to be used only in the conduct of the business of such Co. after having been licensed and authorized therefor by proper authority."

Funds and securities held by such organizers, trustees, directors, or officers as bailees shall be deposited with any bank or Tr. Co. of this State until such Co. has been licensed as aforesaid.

(5) No person shall participate in, receive or accept any part or promise of any part of any of the commissions or rewards of any organizer, promoter, or agent for the sale of any such securities, unless the name of such person and the fact of his interest in such commissions or rewards shall appear upon such contract of subscription. The omission of such statement from any such contract shall, in addition to the penalty herein provided, make such person liable to the purchaser or his assignees for all sums paid by such purchasers, with interest at the legal rate from date of payment, upon the assignment or tender of assignment of the securities so purchased.

(6) That the Ins. Comr. shall have power to make such examination of said Co. at its expense, including actual expenses and the per diem of examiners \$25, and to require such further information as he may deem advisable; and if he shall find that the provisions of the law have been complied with, and is satisfied that

the Co. is safe and solvent, and that its business is proper and legitimate and is so conducted, he may license the said Co. to transact business in the State upon the payment of a license fee of \$100; and no such Co. or representative thereof shall transact or offer to transact business within the State unless a license shall have been issued to such Co. as aforesaid. Such license shall recite in bold type that the Ins. Comr. in no wise recommends the securities to be offered for sale by such Co.

(7) No such Co. shall transact, or offer to transact, any business within this State during any time after the adoption of any change in its articles of organization, by-laws, or plan of doing business, or the making of any change in the form of its applications, or other contracts, before the same shall have been filed with the said Ins. Comr.

(8) No person shall transact or offer to transact business in this State as agent for such Co., or transact or offer to transact any business described in this act, unless such person shall hold a license issued by the Ins. Comr. Such license shall only issue upon the filing with the said Ins. Comr. by such agent a bond in the sum of \$1,000, with such conditions and sureties as may be required and approved by the Ins. Comr. Such license shall expire on the 1st day of April following, unless the authority is sooner revoked by the Ins. Comr., and such authority shall be subject to revocation at any time by such officer for cause appearing to him sufficient. The fee for such agent's license shall be the same as prescribed for fidelity Cos.

(9) Every Co. shall, on or before the 1st day of March, file with the Ins. Comr. a statement as of the 31st day of Dec. preceding, in such form as required by him, and such other statements and information shall be filed in such form and

within such time as may be required by the said Ins. Comr. The accounts of such Co. shall be kept in such form as required by the Ins. Comr.

(10) No such Co. shall fail to comply with any provision of the law or any requirement of the Ins. Comr. pursuant to the law, and no officer, agent, or employee of any such Co. shall make or cause to be made any false statement in any report required of him, or a false entry in any book of such Co., or shall make or publish any false statement of its condition or regarding its securities; and upon any violation of this Sec. the Ins. Comr. may revoke its license to do business in this State.

(11) Any officer or agent of any such Co. knowingly or willfully violating any provision of this act shall be punished by a fine of not exceeding \$200 or by imprisonment in jail or worked on the roads for not exceeding 2 years, or by both such fine and imprisonment.

SEC. 2. This act shall take effect and be in force from and after its passage.

NOTE.—See as to regulations in regard to sale of securities in any insurance corporation, L. 1913, Chap. 182.



**NEW YORK.**

**NOTE.**—As to restrictions on investment companies selling property on instalments and doing various kinds of banking, see Consol. Laws, C. 2, as amended.



## NORTH DAKOTA.

Laws 1915, Chapter 91.

C. L., Ch. 21, Secs. 4989-4994.

SEC. 1. The term "securities" as used in this Act shall be taken to mean stock C't'f's., shares, bonds, debentures, C't'f's. of participation, contracts, contracts or bonds for the sale and conveyance of land on deferred payments or installment plan, or other instruments in the nature thereof by whatsoever name known or called. The term "speculative securities" as used in this Act shall be taken to mean and include (1) All securities into the specified par value of which the element of chance, speculative profit, or possible loss equal or predominate over the elements of reasonable certainty, safety, and investment; (2) All securities the value of which materially depends on proposed or promised future promotion or development rather than on present tangible assets and conditions; (3) Any securities based in whole or material part on assets consisting of patents, formulæ, good-will, promotion, or intangible assets; (4) Securities made or issued in furtherance or promotion of any enterprise or scheme for the sale of unimproved or undeveloped land on any deferred payments or installment plan when the principal value of such securities depends on the future performance of any stipulation by the promoters of such enterprise to furnish irrigation or transportation facilities, or other value enhancing utility or improvement. The term "speculative enterprise" as used in this Act shall be taken to mean any business undertaking, project, venture or activity for the promotion or furtherance of which "speculative

securities" as herein defined are made, issued, sold, or offered for sale.

SEC. 2. It shall be hereafter unlawful for any person, co-partnership, Assoc. or Corp., hereinafter called the promoter, either as principal, or through agents, to sell, or offer for sale (except to banks, bankers, Tr. Cos., dealers, or brokers, in securities, Corps. or partnerships) or by means of any advertisement, circulars, or prospectus, or by any other form of public offering, to attempt to promote the sale of any speculative securities in this state, unless there first shall have been filed with the state examiner (1) A copy of the securities so to be promoted; (2) A statement in substantial detail of the assets and liabilities of the person or Co. making and issuing such securities and of any person or Co. guaranteeing the same, including specifically the total amount of such securities and of any securities prior thereto in interest or lien, authorized or issued by any such person or Co.; (3) If such securities are secured by Mtg. or other lien, a copy of such Mtg. or of the instrument creating such lien, and a competent appraisal or valuation of the property covered thereby, with a specific statement of all prior liens thereon, if any; (4) A full statement of facts showing the gross and net earnings, actual or estimated, of any person, or Co. making and issuing or guaranteeing such securities, or of any property covered by any such Mtg. or liens; (5) All knowledge or information in the possession of such promoter relative to the character or value of such securities, or of the property or earning power of the person or Co. making and issuing or guaranteeing the same; (6) A copy of any general or public prospectus or advertising matter which is to be used in connection with such promotion, and no such pro-



pectus or advertising matter shall be used unless the same has been filed hereunder; (7) The names, addresses and selling territory in this state of any agents by or through whom any such securities are to be sold, and no such agents shall be employed unless such statement with respect to them has been filed hereunder, and there shall have been paid to the state examiner a registration fee of \$1 for each such agent. The payment of such fee shall be payment in full of all fees for registration of such agent until and including the first day of March next following; (8) The name and address of such promoter, including the names and addresses of all partners, if the promoter be a partnership, and the names and addresses of the directors or trustees, and of any person owning 10%, or more, of the capital stock, if the promoter be a Corp. or Assoc.; (9) A statement showing in detail the plan on which the business or enterprise is to be transacted; (10) The articles of co-partnership or Assoc., and all other papers pertaining to its organization, if the securities be insured or guaranteed by a co-partnership or unincorporated Assoc.; (11) A copy of its charter and by-laws if the securities be issued or guaranteed by a Corp.; (12) A filing fee of \$25.

SEC. 3. Every foreign Corp. before selling or offering for sale any speculative securities, shall also file its written consent, irrevocable, that actions may be commenced against it in the proper courts of any county in this state in which a cause of action may arise, by the service of process on the Sec. of state, and stipulating and agreeing that such service of process on the Sec. of state shall be taken and held in all courts to be as valid and binding as if due service had been made upon the Co. itself, according to the laws of this

or any other state; and such instrument shall be authenticated by the seal of said foreign Corp., and shall be accompanied by a duly certified copy of the order or resolution of the board of directors, trustees, or managers of the Corp. authorizing the said Sec. and Pres. to execute the same.

SEC. 4. It shall be the duty of the state examiner as soon as is practical, to examine the statement and documents so filed, and if said state examiner shall deem it advisable, he shall make, or have made, a detailed inspection, examination, audit and investigation of the affairs of the makers or guarantors of such securities which said inspection, examination, audit and investigation shall be at the applicant's expense. As a part of the aforesaid inspection, examination, audit and investigation the state examiner may cause an appraisal to be made of the property of the maker or guarantor, including the value of patents, formulae, good-will, promotion, and intangible assets and shall furnish a full and complete statement or report of his inspection and investigation aforesaid to the state banking board. The state banking board shall, within 10 days thereafter, examine the statements or report, and give the promoter a hearing if he so desires. If the state banking board finds no legal objection to the enterprise, or securities, it shall direct the state examiner to acknowledge compliance with Sec. 2 of this Act. But if, from the statements, papers and documents on file, and the investigations and report of the state examiner, or from other evidence submitted, it shall appear, and the state banking board shall find: (1) That the makers and guarantors of said securities are insolvent, or that the applicant's plan for business is dishonest, or fraudulent; (2) Or that the applicant's literature or advertising is misleading and

calculated to deceive purchasers or investors; (3) Or that the securities offered, or to be offered, are issued, or are to be issued in payment for property, patents, formulae, good-will or promotion and intangible assets, in excess of the reasonable value thereof; (4) Or that the enterprise of the applicant is unlawful or against public policy; (5) Or is a mere scheme of a promoter or promoters to get rich quick at the expense of the purchasers of the aforesaid securities, the said state banking board shall reduce its said findings to writing and attest the same by the signature of the chairman and secretary thereof. Notice of such finding, or findings, shall immediately be given to the applicant by registered mail. And it shall thereafter be unlawful for the promoter or any agent of said promoter to sell, offer for sale, or by means of any advertisement, circular, or prospectus, or by any other form of public offering to attempt to promote the sale of any such speculative security or securities in this state.

SEC. 5. The state banking board shall at any time have the authority and jurisdiction to investigate the affairs of any speculative enterprise, the securities of which are being sold or offered for sale in this state, and after giving the promoter a hearing, may if the evidence warrant, make any of the adverse findings enumerated in Sec. 4 of this Act, and it shall thereafter be unlawful for any person, co-partnership, Assoc. or Corp. to sell, offer for sale, or by means of any advertisement, circular, or prospectus or by any other form of public offering to attempt to promote the sale of the securities of such speculative enterprise in this state.

SEC. 6. Any person, co-partnership, Assoc. or Corp. being dissatisfied with any finding or findings of the state banking

board, made in accordance with the provisions of this Act, may within 30 days from the making thereof, commence an action in any court of competent jurisdiction against said banking board as defendant, to vacate and set aside said finding or findings on the ground that the said findings are unjust or unreasonable. The rules of pleading and procedure in such action shall be the same as are provided by law for the trial of equitable actions in the district courts of this state and on the hearing the judge of said court may set aside, modify, or confirm said findings as the evidence and the rules of equity may require. Appeals may be taken from the decision of the district court to the supreme court by either party in the same manner as is provided by law in other civil actions. Pending any such action, the said findings of said state banking board shall be prima facie evidence that they are just and reasonable and that the facts found are true, and pending any such action the said findings of the state banking board shall remain in full force and effect. If no action be brought to set aside said findings within 30 days, the same shall become final and binding.

SEC. 7. No amendment of the charter, articles of incorporation, constitution or by-laws of any such Corp. or the articles of Assoc. or by-laws of any unincorporated Assoc. subject to this Act, shall become operative until a copy of the same has been filed with the state examiner as provided in regard to the original filing of charters, Arts. of Incorp., or Assoc., constitution and by-laws, and it shall be unlawful for any such person, co-partnership, Assoc. or Corp. to transact business on any other plan than that set forth in the statement required to be filed by Sec. 2 of this Act, or to make, issue, sell or offer for sale

any "security" or "securities" required to be filed by Sec. 2 of this Act, until a written statement showing in full detail the proposed new plan of transacting business and a copy of the proposed new "security" or "securities" shall have been filed with the state examiner, in like manner as provided in regard to the original plan of business and proposed "security" or "securities."

SEC. 8. The provisions of this Act shall not apply to (a) Securities of the U. S.; or any foreign government; or of any state or territory; or of any county, city, township, district or other public taxing subdivision of any state or territory of the U. S. or any foreign government. (b) Securities of public or quasi-public Corps., the issues of which are regulated by a state officer of the State of North Dakota, or by a state officer or board of similar authority of any state or territory of the U. S.; or securities senior thereto. (c) Securities of state or Nat. Bks. or Tr. Cos., or Bldg. and loan Assocs. authorized by the state banking board to do business in this state. (d) Securities of any domestic Corp. organized without capital stock, charitable or reformatory purposes.

SEC. 9. The general accounts of every person, co-partnership, Assoc. or Corp., issuing or guaranteeing any securities subject to the provisions of this Act, shall be kept in a business-like and intelligent manner and in sufficient detail so that the state examiner or his authorized representative can ascertain at any time the financial condition of such person, co-partnership, Assoc. or Corp., and the books of account and affairs of any such person, co-partnership, Assoc. or Corp., shall be subject to examination by the said state examiner or upon his direction by his assistants, accountants or examiners, at any time said

state examiner shall deem it advisable, and in the same manner as is now provided for the examination of state banks; and such person, co-partnership, Assoc. or Corp. shall pay a fee for each of such examinations, of not to exceed \$15 for each day or fraction thereof, plus the actual traveling and hotel expenses of said state examiner, assistant, accountant or examiner, that he is absent from the capitol of the state for the purpose of making such examination. And it is provided further, that every person, co-partnership, Assoc. or Corp. making or guaranteeing any securities subject to the provisions of this Act, shall file at the close of business Dec. 31st, Mar. 31st, June 30th, and Aug. 31st of each year, and at such other times as may be required by the state examiner, a statement certified by the oath of some person having actual knowledge of the facts therein stated, setting forth, in such form as may be prescribed by said state examiner the financial condition, amount of property and liabilities of such person, co-partnership, Assoc. or Corp. and such other information as said state examiner may require. Each statement shall be accompanied by a filing fee of \$2.50. It shall be unlawful for any person, co-partnership, Assoc. or Corp. subject to the provisions of this Act, failing or refusing to comply with the provisions of this Sec. within 10 days after compliance is required, to thereafter sell or offer for sale in this state any speculative stock which said person, partnership, Assoc. or Corp. is selling or offering for sale in this state.

SEC. 10. The state examiner shall have power upon reasonable notice either upon his own initiative or upon complaint of any responsible person, to make or have made such special inspection or investigation as he may deem necessary, in con-

nection with the promotion, sale, disposal, or offering for sale or disposal in this state, of any C't'f's., shares, stocks, bonds, securities, contracts or contracts or bonds for deeds to determine whether the same constitute a violation of this Act or any other statute of this state by any individual, co-partnership, Corp., or Assoc., promoting, offering, selling or pledging the same; and the state examiner, his assistants or deputy shall have the power to issue subpoenas and process compelling the attendance of any person and the production of any papers or books for the purposes of such investigation and examination, and shall have power to administer an oath to any person whose testimony may be required on such examination or investigation; and any person who shall refuse to obey any such subpoena or make answer to any competent and material question propounded to him by the state examiner shall upon conviction in any court of competent jurisdiction be deemed guilty of a misdemeanor, and fined in any sum not exceeding \$500 or be punished by confinement in the county jail for not more than 90 days, or both by such fine and imprisonment. Upon the conclusion of any such investigation, the state examiner may make findings of fact touching the matter or matters under investigation, and such findings shall be prima facie evidence of the truth of the matters therein found by the state examiner in any action, either civil or criminal, instituted under any of the laws or statutes of this state against the person, persons, partnership, Corp. or Assoc. The notice herein provided for may be given by registered letter mailed to the last known address of person, or persons, or Corps. to be investigated and the state examiner's C't'f. shall be sufficient evidence of such notice and the mailing thereof.

SEC. 11. Any person who shall knowingly make or file or cause to be made or filed with the state examiner any statement, document, circular, advertisement or prospectus, required to be filed by this Act, which is false in any material respect or matter, shall be deemed guilty of a felony, and on conviction in any court of competent jurisdiction punished by a fine of not less than \$100, or more than \$5,000, or by imprisonment in the state penitentiary for not less than 1 nor more than 5 years, or both such fine and imprisonment.

SEC. 12. Any person, partnership, Assoc. or Corp. who shall commit in this state any Act declared unlawful by Secs. 2, 4, 7, or 9 of this Act shall be deemed guilty of a felony and on conviction in any court of competent jurisdiction be punished by a fine of not less than \$100 nor more than \$5,000, or by confinement in the North Dakota State Penitentiary for a term of not less than 1 nor more than 7 years.

SEC. 13. This Act shall not apply to the owner of any speculative security who is not the maker or issuer thereof, who shall acquire and sell the same for his own account in the usual and ordinary course of business and not for the direct or indirect promotion of any enterprise or scheme within the purview of this Act, providing that such ownership is in good faith. Repeated or successive sales of any such speculative security or securities shall be prima facie evidence that the claim of ownership is not bona fide, but is a mere shift or device to evade the provisions of this Act.

SEC. 14. All fees herein provided for shall be collected by the state examiner and by him shall be turned into the state treasury, and shall be kept in a special fund for the payment of the actual and necessary expenses herein provided. All



money actually and necessarily paid out by the state examiner for traveling or incidental expenses on duties performed under this Act, shall be audited as other claims against the state and paid out of the special fund herein created.

SEC. 15. In any case wherein the value of the securities or contracts hereinbefore enumerated are in any way dependent upon the present or proposed development of land or mines, oil or gas well, the boards of the Agricultural College or State University shall, on the request of the state examiner, cause such investigation thereof as the state examiner may desire to be made by experts from the appropriate departments of the State Agricultural College or State University, or both, as the case may be.

SEC. 16. Any person who shall knowingly or willfully subscribe to, or make, or cause to be made any false statements or false entry in any book of account of any person, co-partnership, Assoc. or Corp., subject to the provisions of this Act, or exhibit any false paper with intention of deceiving any person authorized to examine into the affairs of such person, co-partnership, Assoc. or Corp., or shall make or publish any false statement of the financial condition of any person, co-partnership, Assoc. or Corp. subject to the provisions of this Act, or shall knowingly make any false statements materially affecting the value of the stocks, bonds, or other securities offered for sale by any such person, co-partnership, Assoc. or Corp., shall be deemed guilty of a felony and upon conviction thereof, shall be fined not less than \$100 nor more than \$5,000, or shall be imprisoned not less than 1 year nor more than 10 years in the State Penitentiary.

SEC. 17. Persons, partnerships, Assocs. or Corps. holding permits under the stat-

utes hereby repealed shall be deemed to have complied with Sec. 2 of this Act.

SEC. 18. Should the courts declare any section or clause of this Act unconstitutional, then such decision shall affect only the section or clause so declared to be unconstitutional, and shall not affect any other Sec. or part of this Act.

SEC. 19. Chapter 32 of the Civil Code of the Compiled Laws of 1913 is hereby repealed.

SEC. 4989. Mining corporations to file statement before offering stock for sale. No shares or C't'fs. of stock in any mining Corp. established under the laws of this state, or any state, territory, province, country or government, shall be sold or offered for sale within this state by such Corp., or by any person, firm, Assoc. or Corp. acting as agent, representative, attorney or broker for such Corp., until such Corp. shall have filed in the office of the Sec. of state a statement under oath, showing the financial condition of such Corp.; the location of the mine or mines, owned by such Corp., with plans of the same; the amount of work done thereon and the condition of the plant and machinery connected therewith. Such statements shall be signed by the Pres., Sec. and Treas. of such Corp. and shall be verified by the oath of each of such officers to the effect that the same is in all respects true.

SEC. 4990. Form of statement — Fee for filing. The statement provided for in Sec. 1 of this act shall be in substantially the following form:

STATEMENT  
of the

....., a corporation organized under the laws of the state, territory, or province of ....., and

operating ..... mines located  
in or near the town of or mining district  
of ....., county of .....,  
State of .....

## I.

1. Amount of authorized capital stock..
2. Amount of capital stock issued.....
3. Amount of capital stock held by corporation .....
4. Amount of capital stock issued in payment of property.....
5. Amount of capital stock sold for cash .....
6. Amount of cash received in payment for stock .....
7. Value and description of property received in payment for stock.....
8. Amount of debts or liabilities in
  - (a) Bonds (stating rate of interest, and time at which bonds fall due) .....
  - (b) Other indebtedness .....
9. Amount of cash on hand.....
10. Amount of credits and estimated value thereof:
  - (a) Notes .....
  - (b) Bills receivable .....
  - (c) Accounts receivable .....
11. Present value of property of corporation .....
12. Number and amount of dividends declared .....
13. Rate of last dividend, and date when same was declared and paid.....

## II.

1. Location of property owned (to be accompanied by plans of the same).....
2. Amount of work done on the property, showing extent of development.....
3. Amount of cash expended for improvements on said properties.....

4. Description of plant and machinery,  
and their present conditions.....

Dated at ....., this ..... day  
of ....., 190...

....., President.

....., Secretary.

....., Treasurer.

State of ..... }  
County of ..... } ss.:

On this ....., day of .....,  
190..., personally appeared .....,  
president, ....., secretary and  
....., treasurer of the .....,  
and who being by me duly sworn, did each  
for himself depose and say that the fore-  
going statement by them signed is in all  
respects correct, true and accurate.

.....,  
Notary Public.

A fee of \$25 for filing such statement  
shall be paid to the Sec. of the state by  
such Corp., at the time such statement is  
presented for filing.

**SEC. 4991. Secretary of State to keep  
docket open to public inspection.** It  
shall be the duty of the Sec. of state to  
provide and keep in his office and open to  
public inspection a docket with appropriate  
blanks and indices, and to forthwith and as  
soon as the statement provided for in Sec.  
4989 is filed in his office, enter therein the  
name of the Corp. filing the same, to-  
gether with a copy of the statement.

**SEC. 4992. Punishment for violation of  
preceding sections.** Any person who sells  
or offers for sale within this state any  
shares or C't'f of stock in any mining  
Corp. which has not filed a statement in  
accordance with the provisions of Secs.  
4989 and 4990 of this act, is guilty of a  
misdemeanor.

**SEC. 4993. Punishment for violation of  
preceding sections by corporations.** Any

Corp. or officer or agent thereof, or any broker, selling or offering for sale shares or C't'fs of stock in any mining Corp. which has not filed the statement in accordance with the provisions of Secs. 4989 and 4990 of this act is guilty of a misdemeanor, and in addition thereto shall forfeit to the people of the state the sum of \$1,000 for each and every offense, to be recovered in an action to be brought by the attorney-general. The Sec. of State shall report to the Attorney-general at least once in 3 months the names of all agents, Corps. or brokers who to his knowledge are engaged in the sale of shares or C't'fs of stock in mining Corps. which have failed to comply with the provisions of this chapter. The moneys forfeited by this Sec. when recovered, shall be paid into the state treasury, except, that where the fact of the violation of this Ch. is brought to the knowledge of the attorney-general by a person other than a person holding a public office within this state,  $\frac{1}{2}$  of the moneys recovered for a violation of this Ch. shall be paid to such person so furnishing the information and knowledge of such violation to the attorney-general as aforesaid.

**SEC. 4994. Making false statement.** Any officer of a mining Corp. who, in making the statement prescribed by Sec. 4980, wilfully makes any statement which he knows to be false, is guilty of a misdemeanor.

**NOTE.**—See as to corporations selling their own securities C. L. Art. 13, Ch. 12, Secs. 4597-4602.



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## OHIO.

As amended 1917 Sess. of Legislature.

**Who must be licensed.** SEC. 1. Except as otherwise provided in this act, no dealer shall, within this state, dispose or offer to dispose of any stock, stock C't'f's., bonds, Debs., Col. Tr. C't'f's. or other similar instruments (all hereinafter termed "securities") evidencing title to or interest in property, issued or executed by any private or quasi-public Corp., co-partnership or Asso. (except Corps. not for profit,) or by any taxing Sub-Div. of any other state, Ter., province or foreign Gov't, without first being licensed so to do as hereinafter provided.

**Securities defined.** SEC. 2. The term "securities", as used in this act, shall not be deemed to include conveyances of real estate; or, where the same have not been judicially declared invalid, and where, at the time of such sale, there is no default in payment of any part of the Int. or Prin. of the same:

1. Mtg. bonds and notes (other than corporate bonds where more than 50% of the entire issue is not included in a sale to one purchaser) secured by a bona fide Mtg. on real estate;

2. Securities of quasi-public Corps., the issuance of which has been authorized by the Public Service Com. of this state;

3. The stock or obligation of any Nat. bank, or of any bank, Tr. Co. or building and loan Asso., organized under the laws of this state and subject to examination and supervision by the proper authorities thereof.

**Dealer defined.** The term "dealer", as used in this act, shall be deemed to include any person or Co., except Nat. banks, disposing, or offering to dispose, of any such security, through agents or otherwise,

and any Co. engaged in the marketing or flotation of its own securities either directly or through agents or underwriters or any stock promotion scheme whatsoever, except:

**Who are not dealers.** a. An owner, not the issuer of the security, who disposes of his own property, for his own account; when such disposal is not made in the course of repeated and successive transactions of a similar character by such owner; or a natural person, other than the underwriter of the security, who is the bona fide owner of the security and disposes of his own property for his own account;

b. One, who in a trust capacity created by any law of the U. S. or of this or any other state or by judicial authority, lawfully disposes of any property embraced within such trust;

c. A bank or Tr. Co., organized under the laws of this state and subject to examination and supervision by the proper authority thereof, selling a security for a licensee, other than the issuer or underwriter thereof, at a commission of not more than 2%, where such bank or Tr. Co. is not a regular dealer in securities;

d. One, not the issuer, who disposes of securities to a licensee under this act or to a Co. which, as a part of its regular business, deals in or holds such securities;

e. A pledgee selling, in the ordinary course of business, a security pledged to him as security for debt in good faith and not for the purpose of avoiding the provisions of this act;

f. The issuer, organized under the laws of this state, where the disposal, in good faith and not for the purpose of avoiding the provisions of this act, is made for the sole account of the issuer, without any commission and at a total expense of not more than 2% of the proceeds realized

therefrom plus \$500 and where no part of the issue to be disposed of is issued, directly or indirectly, in payment for patents, services, good will, or for property not located in this state; provided that the Pres. and Sec., or the incorporators if done before organization, of the issuer shall, prior to such disposal, file with the "commissioner" a written statement setting forth the existence of all such facts and that such issuer is formed for the purpose of doing business within this state.

As used in this act, the term "company" shall include any Corp., co-partnership or Asso., incorporated or unincorporated, and whenever and wherever organized; "dispose of" shall be construed to mean "sell, barter, pledge or assign for a valuable consideration or obtain subscriptions for"; "issuer", the original issuer of the security; and, where the context demands it, words in the present tense include the future tense; in the masculine gender include the feminine and neuter gender; in the singular number include the plural, and in the plural, the singular number; the word "whoever" includes all persons, natural and artificial, principals, agents and employees; "and" may be read "or", and "or" "and".

**Five dollar filing fee to accompany application.** SEC. 3. Before such license shall be issued to any dealer, there shall be filed by him with the Commissioner of Securities designated \* \* \* as the "commissioner" together with a filing fee of \$5, an application for such license, together with information, in such form as shall be determined by such "commissioner", setting forth:

**Names and addresses.** a. The names and addresses of the directors and officers if such applicant be a Corp. or Asso., and of all partners if it be a partnership, and of the person if the applicant be an indi-

vidual, together with the names and addresses of all agents of such applicant assisting in the disposal of such securities;

**Location.** b. Location of the applicant's principal office and of his principal office in the state, if any;

**Business to be conducted under this license.** c. The general plan and character of the business of said applicant, together with references, which the commissioner shall confirm by such investigation as he may deem necessary, establishing the good repute in business of such applicant, directors, officers, partners and agents;

**Foreign corporations to furnish copy of articles.** If the applicant be a Corp. organized under the laws of any other State, Ter. or Gov't, or have its principal place of business therein; it shall also file a copy of its articles of incorporation, certified by the proper officer of such State, Ter. or Gov't, and of its regulations and by-laws; and if it be an unincorporated Asso., a certified copy of its Arts. of Asso., or deed of settlement.

The applicant at the same time shall also file with said commissioner a duly executed written instrument, irrevocable, consenting that any action brought against such applicant, arising out of and founded upon the fraudulent disposal of such securities by him or his agents, may be brought in Franklin County, and that, in the event that proper service of process cannot be had upon such applicant in such county, service of process made therein by the sheriff of such county, by sending a copy thereof by registered mail, at least 30 days prior to taking judgment in such case, addressed to such applicant at the place of his principal office named in his application or such other place as the applicant may thereafter designate in writing filed with the commissioner, shall have

the same effect as if personally made upon the applicant, according to the laws of this state.

**Application and renewal. SEC. 4.** Notice of all applications for registration as a licensed dealer in such securities shall be published in a daily newspaper of general circulation in the city where the applicant's principal place of business in the state is located, or in Columbus, if the applicant has no such place of business in the state, and no such application shall be acted on by the commissioner until the expiration of one week from the date of such publication, but shall be acted upon within 20 days after proof of such application has been filed with him. If the commissioner be satisfied of the good repute in business of such applicant and named agents, he shall, upon the payment of an annual fee of \$50, and an additional fee of \$5 for each agent named in the application, register the applicant as a licensed dealer in such securities, and issue to him a license, containing the name of the applicant and all such agents, renewable annually upon payment of such annual fee, unless revoked as herein provided. The expense of all publications provided for in this act shall be paid by the applicant for license. Pending a final disposition of such application the commissioner may grant temporary permission to such applicant to transact business as a dealer under this act. All such renewals shall be made as of the 1st day of Jan. in each calendar year upon proper application therefor, filed not less than 20 nor more than 60 days next preceding such date.

**SEC. 5.** Such license shall be taken out at the beginning of each calendar year, but it may be issued at any time for the remainder of such year, and in such case the annual fee shall be reduced \$4 for each expired month but in no case shall it be less

than \$10. Upon the payment of a fee of \$5 for each specified agent not named in such license the same may at any time be amended or supplemented to include such agent. Upon the written request of such applicant, accompanied by a fee of \$2, such license shall be revoked as to any agent or agents of such applicant, and an amended license shall thereupon be issued for such applicant and his remaining agents; and thereafter the applicant shall not be bound by the acts of the agent whose license has been revoked. Notice of such amendments shall also be published as aforesaid.

**License to be revoked when.** SEC. 6. Such "commissioner" may at any time revoke any such license, or refuse to renew the same, upon ascertaining that the licensee:

- a. Is of bad business repute;
- b. Has violated any provision of this act; or
- c. Has engaged, or is about to engage, under favor of such license, in illegitimate business or in fraudulent transactions.

No dealer whose license has been revoked shall be relicensed within 6 months from the date of such revocation.

The "commissioner" shall at once lay before the prosecuting Atty. of the proper county any evidence which shall come to his knowledge of criminality under this act.

**Notice of revocation.** SEC. 7. At least 5 days before revoking or refusing to grant or renew, a license, the "commissioner" shall send by registered mail to the licensee, or applicant, at the address named in the application, written notice of his intention so to do, specifying therein the reasons for such revocation or refusal.

**Petition for reversal of commissioner's ruling.** SEC. 8. Any one whose license shall be refused or revoked, or to whom a renewal of license may be denied, may file, within 30 days thereafter, in the court of

common pleas of Franklin county, a petition against the "commissioner", officially, as defendant, alleging therein, in brief detail, the plaintiff's qualifications to be licensed and praying for a reversal of the official action complained of. Upon service of summons upon said defendant, returnable within 3 days from its date, but otherwise made as in civil actions, he shall, within 1 week from such return day, file an answer, in which he shall allege by way of defense the grounds previously assigned in his notice to such applicant or licensee, and such other grounds as shall, in the meantime, accrue or be discovered. All allegations of the answer shall be deemed to stand denied without further pleading and, upon application of either party, the cause shall be advanced and heard without delay. Merely technical irregularities in the procedure of such "commissioner" shall be disregarded and the burden shall rest upon the plaintiff to disprove the grounds assigned and specified in the official action complained of. The court's decision shall consult only the rights of the plaintiff and the protection of the public and the "commissioner" shall prosecute no proceedings to obtain a reversal, modification or vacation of a judgment rendered in favor of the plaintiff and in such event, shall forthwith issue the license applied for. A judgment sustaining the refusal of the "commissioner" to grant or renew a license shall not bar, after 30 days, a new application by plaintiff for a license, nor shall a judgment in favor of the plaintiff prevent such "commissioner" from thereafter revoking such license for any proper cause which may thereafter accrue or be discovered.

**Must file statement of condition of issuer.** SEC. 9. Before such licensee shall dispose of any such securities, within this state, he shall file with such "commis-

signer", in such form as shall be determined by him, the following information concerning such securities: If issued by any company,

(a) The name, location of principal office of the issuer and the names of its officers and directors, or if a co-partnership, the partners;

(b) A statement of the issuer, showing, in general detail, the assets and liabilities, and capital stock of the issuer, as of a date as late as the close of its last fiscal year, and of its gross income, expenses and fixed charges, for one year last prior thereto, or for such time as the issuer has been in business, if less than 1 year;

(c) A pertinent description of such securities, and the purpose of said issue, and

(d) Unless the foregoing information be excused under the provisions of the following Sec., the approximate price at which the licensee purposes to dispose of such securities.

If the securities be of a taxing Sub-Div. of any other State, Ter., Province or foreign Gov't, and are not an obligation of the entire taxing Sub-Div. and payable out of the proceeds of a general tax, there shall be filed the information required by paragraphs (c) and (d) of this Sec. and, in addition thereto, a statement of the licensee, setting forth the nature of the obligation of such securities, how payment of the same is secured and that, to the best of his knowledge, there is no default in the payment of any part of the Int. or Prin. of such securities and are no adjudications adversely affecting, or pending suits questioning the validity of the same.

**Statement need not be filed.** SEC. 10. The information required in the preceding Sec. need not be filed:

(a) Unless required by the commissioner if the same has been filed by any other licensee; or



(b) If actual current sales of the securities, at prices quoted, shall have been, from time to time, for not less than 6 months next preceding such disposal, published in the regular market reports of the news columns of a daily newspaper of general circulation in this state; or

(c) Where there is a disposal of securities, the price paid or consideration rendered for which, in a single transaction, by one disposee, shall amount to \$5,000 or more; or

(d) Where the securities disposed of are those of manufacturing or transportation Co.'s, or of common carriers or other public utilities, issued and outstanding in the hands of bona fide purchasers for value, prior to Mar. 1st, 1914, where such Co.'s were, on said date, and shall be, at the time of sale, actual going concerns, either directly or through lessees, and where there shall be at the time of sale no default in payment of any part of the Int. or Prin. of such securities; or

(e) Where the information required, other than the approximate selling price, is contained in any standard manual of information, approved by such commissioner; or

(f) Where the disposal is made for a commission of less than 1% of the par value thereof, by a licensee who is a member of a regularly organized and recognized stock exchange and who has an established and lawfully conducted place of business in this state, regularly open for public patronage as such.

Circulars, etc., to be filed. SEC. 11. Every dealer, before or at the time of circulating the same, shall furnish to the "commissioner" 1 copy of each prospectus, circular or other document of like nature and of each advertisement, circulated by him in connection with the sale of any securities concerning which information is

required to be filed under the provisions of sections 9 and 10.

**Insurance companies.** SEC. 12. No person or Co. shall, for the purpose of organizing or promoting any Ins. Co., or of assisting in the flotation of its stock after organization, dispose or offer to dispose, within this state, of any such stock, unless the contract of subscription or disposal shall be in writing, and contain a provision substantially in the following language:

"No sum shall be used for commission, promotion and organization expenses on account of any share of stock in this company in excess of ..... per cent of the amount actually paid upon separate subscriptions, or, in lieu thereof there may be inserted, '\$..... per share from every fully paid subscription', and the remainder of such payment shall be invested as authorized by the law governing such company and held by the organizers (or trustees as the case may be) and the directors and officers of such company after organization, as bailees for the subscriber, to be used only in the conduct of the business of such company after having been licensed and authorized therefor by proper authority."

The amount of such commission, promotion and organization expenses shall in no case exceed 15% of the amount actually received upon the subscription.

Funds and securities held by such organizers, trustees, directors or officers, as bailees, shall be deposited with a bank or Tr. Co. of this state or invested as provided in Secs. 9518 and 9519 of the General Code until such Co. has been licensed as aforesaid.

**Liability of one who counsels or advises.** SEC. 13. Whoever, with intent to secure financial gain to himself, advises and procures any person to purchase any security and receive for such advice or

services any commission or reward from the owner or salesman thereof, without disclosing to the purchaser the fact of his agency or his interest in such sale shall be liable to such purchaser for the amount of his damage thereby, upon tender of such security to, and suit brought against, such adviser, within 1 year subsequent to such purchase.

**Statement of information. SEC. 14.**

For the purpose of organizing or promoting any Co., or assisting in the flotation of the securities of any Co. after organization, no issuer or underwriter of such securities and no person or Co. for or on behalf of such issuer or underwriter shall, within this state, dispose or attempt to dispose of any such security until such commissioner shall issue his C't'f. as provided in Sec. 16, which shall not be done until, together with a filing fee of \$5, there be filed with the commissioner the application of such issuer or underwriter for the C't'f. provided for in Sec. 16, and, in addition to the other information hereinbefore required by paragraphs (a), (b), (c) and (d) of Sec. 9, the following:

(a) A certified copy of the Arts. of incorporation or Asso. of the issuer, its regulations and by-laws;

(b) Certified copies of all minutes of stockholders and directors relative to the issue of such securities;

(c) A sworn statement made by the Pres. and Sec. of the issuer, showing in detail the items of cash, property, services, patents, good will and any other consideration for which such securities have been or are to be issued in payment;

(d) Like certified copies of all contracts or agreements between the issuer and any underwriter of such securities, and, if disposed of by the issuer, all contracts and agreements relative to the sale and disposition thereof; and any such contracts or

agreements made subsequent thereto shall be filed immediately upon the execution thereof;

(e) All contracts made between such underwriter and any salesman, agent or broker.

**Does not apply to certain issuers.** This Sec. shall not apply where the issuance of the securities has been approved by the public service commission or like body of any state of the U. S. or any province of the Dom. of Can., or where the sale is made by or on behalf of an underwriter who, in good faith and not for the purpose of avoiding the provisions of this act, purchases the securities so afterward sold by him and pays therefor, in cash or its equivalent, before attempting to sell the same, not less than 90% of the price at which such securities are thereafter sold by him; nor where the securities are those of a common carrier or of a Co. organized under the laws of this state and engaged principally in the business of manufacturing, transportation, coal-mining or quarrying, and the whole or a part of the property upon which such securities are predicated is located within this state; nor of a real estate or building Co. all of whose property, upon which such securities are predicated, is located in this state; nor in the case of an issuer excepted under paragraph (f) of Sec. 2; nor in cases where the filing of information is dispensed with under the provisions of paragraphs (b), (d), (e) or (f) of Sec. 10.

The information required by paragraphs (d) and (e) of this Sec. shall be for the information of the commissioner only, and shall not be disclosed by him except when lawfully required in a judicial proceeding.

**Foreign real estate.** SEC. 15. No person or Co., unless licensed in the manner and under the conditions applicable thereto hereinbefore provided for dealers, shall,

within this state deal in real estate not located in Ohio of which he is not the actual and bona fide owner and unless the "commissioner" shall issue his C't'f. as provided in the following Sec., and prior to such issuance there shall, together with a filing fee of \$5, be filed with the "commissioner" an application for such C't'f., and a written statement of the applicant containing a pertinent description of the real estate the sale of all or a part of which is sought to be made, the nature and source of the title of the owner thereto, and the amount or value and the nature of the consideration paid or allowed by him therefor, it shall, within this state, be unlawful:

(a) For any Corp., Asso. or co-partnership doing business under any name other than the name or names of such person or of all the members of such Asso. or co-partnership to sell any real estate not located in Ohio.

(b) For any person or Co. engaged in the business of dealing in real estate to sell or offer for sale any such real estate, the title to which is or is represented to the purchaser to be in the name of a Corp. or unincorporated Co., or of a person doing business under a fictitious name.

**Exceptions.** This Sec. shall apply where the title to such property is held in the name of a trustee for any Corp. or for any such described person or Co., but it shall not be deemed to prohibit the disposal by an owner of his own property, in good faith and not for the purpose of avoiding the provisions of this act, where the transaction is not one of repeated transactions of a similar nature, performed as a part of the business of dealing in real estate; nor shall it be deemed to prohibit a R. R. Co. having an immigration bureau or Dept. from advertising either directly or through its accredited representatives, the fact that there are along its

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route lands for colonization or sale; provided that such advertising be not of specific tracts of real estate, and not for the purpose of avoiding the provisions of this act.

SEC. 16. Said commissioner shall have power to make such examination of the issuer of the securities, or of the property named in the 2 next preceding Secs., at any time, both before and after the issuance of the C't'f. hereinafter provided for, as he may deem advisable. When in the discretion of the commissioner all or any part of the expense of such examination should be paid by the applicant for such C't'f., such applicant shall deposit with the commissioner such sum of money as the commissioner may order, out of which said sum the commissioner shall pay that portion of the expense of such examination as the commissioner determines said applicant should pay. The commissioner shall render to the applicant an itemized statement of the expenditure and a proper record thereof shall be kept. And if it shall appear that the law has been complied with and that the business of the applicant is not fraudulently conducted, and that the proposed disposal of such securities or other property is not on grossly unfair terms, and that the issuer or vendor is solvent, upon the payment of a fee of \$10, the commissioner shall issue his C't'f. to that effect, authorizing such disposal. But if it shall not affirmatively so appear he shall so notify the applicant, in writing, and of his refusal to issue such C't'f. Such C't'f. shall be issued or refused within a reasonable time after the filing of the application therefor, which shall be within not more than 30 days from and after the applicant or C't'f. holder whose C't'f. has been revoked has fully complied with all requirements of this act precedent thereto; provided, that the

commissioner may at any time revoke any such C't'f. issued by him when he has reason to believe that the business of the holder thereof is being fraudulently conducted, or that such securities or other property are being disposed of upon grossly unfair terms, or, in the case of securities that the issuer thereof is insolvent. Such applicant shall have the same right of review of such finding as is given to a dealer by Sec. 8. The fee provided for in this Sec. shall not be required of an applicant who is licensed as a dealer.

SEC. 17. Such C't'f. shall recite in bold type that the commissioner in no wise recommends such securities or other property; and no person or Co. shall advertise, in connection with the sale of such securities, the fact that such C't'f. has been issued unless such advertisement also contains in bold type a copy of such recital.

**Additional liability.** SEC. 18. In addition to the liability now imposed by law, any person or Co. that, by written or printed circular, prospectus, statement or advertisement of any kind, shall offer for subscription or purchase any security, or receive the profits accruing from the disposal of securities so advertised, shall be liable to any person who, on the faith of such advertisement or document, acquires such security, for the loss or damage sustained by him by reason of any untrue statement contained therein, unless such person or Co. shall establish that he or it had no knowledge or notice of the publication of such advertisement prior to the transaction complained of, or had just and reasonable grounds to believe the statements thereof to be true. Wherever any Corp. shall be so liable, the directors thereof shall also be, under like limitations, jointly and severally liable. Any such director, upon the payment of a judgment so obtained against him, shall be subro-

gated to the rights of the plaintiff against such Corp. and shall have the right of contribution for the payment of such judgment, under like limitations, against any of his fellow directors. Lack of reasonable diligence to ascertain the fact of such publication or the falsity of any statement therein contained, shall be deemed to be knowledge of such publication and of the falsity of any untrue statement thereof. Any action brought against such director, based upon the liability hereby imposed, shall be brought within 2 years after the acquisition of the security by any person so damaged or after payment of the judgment for which contribution is sought.

**If issuer be an insurance company.** SEC. 19. If the issuer of such securities be a Co. incorporated, organized or formed to make any Ins. named in Subds. I and II, division III, title IX of the General Code, the "commissioner", for all the purposes named in Secs. 14 and 16 of this act, shall be the Supt. of Ins. of this state. In addition to the powers given to, and the duties prescribed to be performed by, such commissioner, under said Secs. the Supt. of Ins. shall have, over any such Co. disposing or attempting to dispose of any of its securities within this state, the powers of regulation, supervision and examination conferred on him by law, with reference to Cos. licensed to transact the business of insurance within this state.

**Penalty.** SEC. 20. Whoever knowingly makes any false statement of fact in any statement or matter of information required by this act to be filed with the commissioner, or in any advertisement, prospectus, letter, circular or other document, containing an offer to dispose or solicitation to purchase, or commendatory matter concerning, such securities or real estate, with intent to aid in the disposal of the same, or whoever knowingly violates



any of the provisions of Secs. 12, 14 or 15 of this act, or for the purpose of aiding in the disposal of any security or real estate, knowingly makes any false statement or representation concerning any license or C't'f. issued under the provisions hereof, shall be fined not less than \$100 nor more than \$5,000, or imprisoned in the penitentiary not more than 1 year, or both; and whoever violates any of the other provisions of this act shall be fined not less than \$50 nor more than \$1,000, or imprisoned in the county jail or workhouse not more than 60 days, or both.

SEC. 21. In any prosecution brought under this act, the accused shall be deemed to have had knowledge of any matter of fact where, in the exercise of reasonable diligence, he should, prior to the commission of the offense complained of, have secured such knowledge. Information and indictments under this act need not negative any of the exceptions enumerated in Secs. 2, 10 and 14 hereof.

SEC. 22. Nothing herein contained shall limit or diminish the liability of any person or Co. now imposed by law, or prevent the prosecution of any person or Co. violating any of the provisions of this act, for the violation of any other statute or of any other provision hereof.

SEC. 23. Nothing herein contained shall be so construed as to impair the obligation of prior contracts.



## OKLAHOMA.

Passed March 22, 1919.

SEC. 1. The term "Securities" as used in this Act shall be taken to mean stock certificates, shares, bonds, debentures, certificates of participation, membership contracts, contracts or bonds for the sale and conveyance of land on deferred payments or installment plan, or other instrument in the nature thereof by whatsoever name known or called and including the capital stock of any and all Corps. offering the same for sale. The term "speculative securities" as used in this Act shall be taken to mean and include (1) all securities to promote or induce the sale of which, profit, gain or advantage unusual in the ordinary course of legitimate business is in any way advertised or promised; (2) all securities for promoting the sale of which a Com. of more than 10% is offered or paid; (3) all securities into the specified par value of which the element of chance or hazard of speculative profit or possible loss equal or predominate over the element of reasonable certainty, safety, and investment; (4) all securities the value of which materially depends on proposed or promised future promotion or development rather than on present tangible assets and conditions; (5) the securities of any enterprise, Asso., partnership or Corp., which has included or proposes to include in its assets as a material part thereof, patents, formula, good-will, promotion, or intangible assets, or which has issued or proposes to issue a material part of its securities in payment for formula, patents, good-will, promotion or intangible assets; (6) securities made or issued in furtherance of promotion of any enterprise or scheme for the sale of unimproved or undeveloped land on any deferred payments or installment plan, when such lands are not situated in the State of

Oklahoma and the value of such securities materially depends on the future performance of any stipulation by the promoters of such enterprise to furnish irrigation or transportation facilities, or other value enhancing utility or improvement. The term "speculative enterprise" as used in this Act shall be taken to mean any business undertaking, project, venture or activity for the promotion or furtherance of which "speculative securities," as herein defined, are made, issued, sold, or offered for sale. For the purpose of carrying out the provisions of this Act, there is hereby created a Com., to be known as the State Issues Com., composed of the Bank Comr., who shall be chairman thereof, the Sec. of State and State auditor. The said Com. shall have authority to appoint, with the approval of the Governor, a Sec., who shall receive a salary of \$2,500 per annum, payable monthly.

SEC. 2. It shall be unlawful for any person, copartnership, Asso., or Corp., hereinafter called the promoter, either as principal, or through brokers or agents, to sell or offer for sale or by means of any advertisements, circulars, or prospectus, or by any other form of public or private offering, to attempt to promote the sale of any speculative securities in this State, including capital stock of such promoter, unless there first shall have been filed with and approved by the said Com., (1) a copy of the securities so to be promoted; (2) a statement in substantial detail of the assets and liabilities of the person or Co. making and issuing such securities and of any person or Co. guaranteeing the same, including specifically the total amount of such securities and of any securities prior thereto in interest or lien, authorized or issued by any such person or Co.; (3) if such securities are secured by Mtg. or other lien, a copy of such Mtg. or of the instrument creating such lien, and a competent appraisal or valuation of the prop-

erty covered thereby, with a specific statement of all prior liens thereon if any; (4) a full statement of facts showing the gross and net earnings, actual or estimated, of any person or Co. making and issuing or guaranteeing such securities; or of any property covered by any such Mtg. or lien; (5) all knowledge or information in the possession of such promoter relative to the character or value of such securities, or of the property or earning power of the person or Co. making and issuing or guaranteeing the same; (6) a copy of any general or public prospectus or advertising matter which is to be used in connection with such promotion; and no such prospectus or advertising matter shall be used unless the same has been filed hereunder; (7) The names, addresses and selling territory in this State of any agents by or through whom any such securities are to be sold, and no such agents shall be employed unless such statement with respect to them has been filed hereunder, and there shall have been paid to the said Com. a registration fee of \$5 for each such agent. The payment of such fee shall be payment in full of all fees for registration of such agent until and including the first day of March next following; (8) the name and address of such promoter, including the names and addresses of all partners, if the promoter be a partnership, and the names and addresses of the directors or trustees, and of any person owning 10% or more, of the capital stock, if the promoter be a Corp. or Assoc.; (9) a statement showing in detail the plan on which the business or enterprise is to be conducted; (10) the articles of copartnership or Assoc. or Corp. and all other papers pertaining to its organization, if the securities be insured or guaranteed by a copartnership or unincorporated Assoc.; (11) a copy of its charter and by-laws if the securities be issued or guaranteed by a Corp.; (12) a filing fee of \$25.

SEC. 3. If the said Com. shall decide that the sale of stock or bonds will be fairly and honestly conducted, both to the Corp. and to the public, such permit shall be granted, provided that the commissions, promotion and other incidental expenses, exclusive of the exempted expenses mentioned in Sec. 1 of this Act, shall not be more than 15% of the price at which such stock or bonds is to be sold as shown by the application or amended application. Provided, that where any proposed corporation has already sold its stock or bonds or a part thereof, or any part thereof has been subscribed at the time this Act shall take effect, this Act shall not affect stock or bonds previously sold or subscribed nor any contracts made in reference to same; but if any of the stock or bonds of said proposed Corp. remains unsold or unsubscribed, said Corp. shall, nevertheless, be entitled to a permit upon complying with the other conditions of this Act, including the future sale or subscription of any of its stock or bonds. The Com. or promotion fee shall be paid to the agent or promoter as the stock or bonds are sold by him and paid for by the purchaser. The stock or bonds shall be considered as paid for when paid for in cash or property or labor of par value thereof. No permit shall be granted unless there shall appear upon the subscription lists and contracts of such Corp. or proposed Corp. in bold type, the amount of the commissions, promotion fees and other estimated expenses incident to the sale of such stock or bonds and the interest which the officer, agent, employee or promoter selling or contracting to sell such stock or bonds has in such sale; nor shall such permit be granted until the applicants therefor have entered into a bond for not less than \$1,000 nor more than \$100,000, the same to be fixed by the said Com. at not less than 10% of the stock or bonds proposed to be issued. The said

bond shall be payable to the said Com., conditioned that the facts set forth in the application for such permit, and the proof and statements offered to the said Com., upon which the application is based, are true, and that they will comply with the provisions of this Act in the sale of the stock or bonds of such Corp. or proposed Corp. Said bond may be made with individual sureties or a surety Com. authorized to do business in the State of Oklahoma and the bond shall be approved by the said Com.

SEC. 4. Any person who shall be induced to purchase any stock or bonds of any Corp. or proposed Corp. by the officers, agents, employees, promoters or trustees, by reason of any misrepresentation of any material fact concerning such stock or bonds, such person or persons shall have the right to bring suit upon the bond above provided for, and such bond shall be subject to, and Security for such person so purchasing the stock or bonds provided that such person shall not be entitled to recover more than the money paid, or the actual value of the property given, or the labor performed, in exchange for such securities with legal interest from the date of the payment or the performance of the services, or the transfer of the property. One or more recoveries upon such bond shall not vitiate the same, but it shall remain in full force and effect, but no recoveries upon such bond shall ever exceed the full amount of same, and upon suits being filed in excess of the amount of same, the said Com. may require a new bond, and if the same is not given within 30 days they may cancel the permit herein provided for. Whenever any permit has been issued, the Corp. or person receiving the same shall file a list of the names of their or its authorized officers, agents and employees, and the post office addresses of each; and, in case of change of any of its officers, agents or employees, it shall

file a list of such changes with the said Com.

SEC. 5. Every foreign Corp. before selling or offering for sale any speculative securities, in this State, shall also file its written consent, irrevocable, that actions may be commenced against it in the proper courts of any county in this State in which cause of action may arise or the plaintiff may reside, by the service of process on the Sec. of State, and stipulating and agreeing that such service of process on the Sec. of State shall be taken and held in all courts, to be as valid and binding as if due service had been made upon the Co. itself, according to the laws of this or any other state, and such instrument shall be authenticated by the seal of said foreign Corp., and shall be accompanied by a duly certified copy of the order or resolution of the board of directors, trustees, or managers of the Corp. authorizing the said Sec. and Pres. to execute the same.

SEC. 6. It shall be the duty of the said Com., as soon as is practical, to examine the statement and documents so filed and if said Com. shall deem it advisable, they shall make, or have made, a detailed inspection, examination, audit and investigation of the affairs of the makers or guarantors of such securities which said inspection, examination, audit and investigation shall be at the promoter's expense. As a part of the aforesaid inspection, examination, audit and investigation, the said Com. may cause an appraisal to be made of the property of the maker or guarantor, including the value of patents, formula, good-will, promotion, and intangible assets and shall furnish a full and complete statement or report of his inspection and investigation aforesaid to the said Com. The said Com. shall, within 10 days thereafter, give the promoter a hearing if he so desires. If said Com. finds no legal



objections to the enterprise, or securities, it shall note in a book to be kept by the said Com. for that purpose that said person, copartnership, Assoc. or Corp. has complied with Sec. 2 of this act. But, if from the statements, papers and documents on file, and the investigations and reports of the said Com. or from other evidence submitted, it shall appear, the said Com. shall find, (1) that the makers or guarantors of said securities are insolvent, in failing circumstances, or are untrustworthy; (2) or that the promoters' plan of business is unfair, inequitable, dishonest or fraudulent; (3) or that the promoters' plan of business does not adequately secure investors against the unlawful dissipation or mis-application of the funds of the enterprise or business; (4) or that the promoters' literature or advertising is misleading and calculated to deceive purchasers or investors; (5) or that the securities offered, or to be offered, or issued, or to be issued, in payment for property, patents, formula, good-will, or promotion and intangible assets are in excess of the reasonable value thereof; (6) or that the enterprise or business of the promoter is unlawful or against public policy; (7) or is a mere scheme of a promoter or promoters to get rich quick at the expense of the purchasers of the aforesaid securities: the said Com. shall reduce its said findings to writing and attest the same by the signature of the chairman and Sec. thereof. Notice of such finding, or findings, shall immediately be given to the applicant by registered mail. And it shall thereafter be unlawful for the promoters or any broker or agent of said promoter to sell, offer for sale, or by means of any advertisement, circular or prospectus, or by any other form of public offering to attempt to promote the sale of any such speculative security, or securities in this State.

SEC. 7. The said Com. shall at any time have the authority and jurisdiction to in-

investigate the affairs of any speculative enterprise, the securities of which are being sold or offered for sale in this State, and after giving the promoters a hearing, may, if the evidence warrants, make any of the adverse findings enumerated in Sec. 6 of this act, and it shall thereafter be unlawful for any person, copartnership, Assoc. or Corp. to sell, offer for sale or by means of any advertisement, circular, or prospectus or by any form of public offering to attempt to promote the sale of the securities of such speculative enterprise in this State.

SEC. 8. Any person, co-partnership, Assoc. or Corp. being dissatisfied with any finding, or findings, of the said Com. made in accordance with the provisions of this act, may, within 30 days from the making thereof, commence an action in any court of competent jurisdiction against said Com. as defendant, to vacate and set aside said finding, or findings, on the ground that the said findings are unjust or unreasonable. The rules of pleading and procedure in such action shall be the same as are provided by law for the trial of equitable actions in the district courts of this State and on the hearing, the judge of said court may set aside, modify or confirm said findings as the evidence and the rules of equity may require. Appeals may be taken from the decision of the district court to the Supreme Court by either party in the same manner as is provided by law in other civil actions. Pending any such action, the said findings of said Com. shall be prima facie evidence that they are just and reasonable and that the facts found are true, and pending any such action the said finding of the said Com. shall remain in full force and effect. If no action be brought to set aside said findings within 30 days, the same shall become final and binding.

SEC. 9. No amendment of the charter, articles of incorporation, constitution or

by-laws of any such Corp. or the articles of Assoc. or by-laws of any unincorporated Assoc. subject to this act, shall become operative until a copy of the same has been filed with the said Com., as provided in regard to the original filings of charters, articles of incorporation, or Assoc., constitutions and by-laws, and it shall be unlawful for any such person, co-partnership, Assoc. or Corp. to transact business on any other plan than that set forth in the statement required to be filed by Sec. 2 of this act, or to make, issue, sell or offer for sale any "security" or "securities" required to be filed by Sec. 2 of this act, until a written statement showing in full detail the proposed new plan of transacting business and a copy of the proposed new "security" or "securities" shall have been filed with the said Com., in like manner as provided in regard to the original plan of business and proposed "security" or "securities."

SEC. 10. The provisions of this act shall not apply to, (a) securities of the U. S., or any foreign government; or of any state or territory; or of any county, city, township, Sch. Dist. or other public taxing subdivision of any state or territory of the U. S. or any foreign government; (b) securities of public or quasi-public Corps., the issues of which are now regulated by the public service Com. or board of similar authority of any state or territory of the U. S., or securities senior thereto; (c) securities of state or national banks or Tr. Cos. Mtg. Cos. dealing exclusively in bona fide Mtgs. on farm and city real estate, or Bldg. and loan Assoc. authorized by the State Banking Board to do business in this State; (d) securities of any domestic Corp. organized without capital stock for religious, charitable or reformatory purpose. The provisions of this bill shall not apply to the sale of stocks or bonds where the same are sold for cash and no Com. or fee is paid, directly or indirectly, for the

sale of the same and no expense for such sale is charged either to the Co. of issue or the purchaser of such securities.

SEC. 11: The general accounts of every person, co-partnership, Assoc. or Corp., issuing or guaranteeing any securities subject to the provisions of this act, shall be kept in a business like and intelligent manner and in sufficient detail so that the said Com. or their authorized representative can ascertain at any time the financial condition of such person, co-partnership, Assoc. or Corp., and the books of account and affairs of any such person, co-partnership, Assoc. or Corp., shall be subject to examination by the said Com. or by their assistants, accountants or examiners, at any time said Com. shall deem it advisable, and in the same manner as is now provided for the examination of state banks; and such person, co-partnership, Assoc. or Corp. shall pay the actual traveling and hotel expenses of the assistant, accountant or examiner of the said Com. when he is absent from the Capital of the State for the purpose of making such examination. And it is provided further, that every person, co-partnership, Assoc. or Corp. making or guaranteeing any securities subject to the provisions of this Act, shall file at the close of business Dec. 31st, of each year, and at such other times as may be required by the said Com. a statement certified by the oath of some person having actual knowledge of the facts therein stated, setting forth, in such form as may be prescribed by said Com. the financial condition, amount of property and liabilities of such person, co-partnership, Assoc. or Corp. and such other information as the said Com. may require. Each statement shall be accompanied by a filing fee of \$2.50. All fees herein provided for shall be collected by the said Com. and shall be turned into the State Treasury. It shall be unlawful for any person, partnership, Assoc. or Corp.

subject to the provisions of this Act, failing or refusing to comply with the provisions of this Sec. within 10 days after compliance is required, to thereafter sell or offer for sale in this State any speculative stock which said person, partnership, Assoc. or Corp. is selling or offering for sale in this State.

SEC. 12. The said Com. shall have power upon reasonable notice either upon their own initiative or upon complaint of any responsible person, to make or have made such special inspection or investigation as they may deem necessary in connection with the promotion, sale, disposal, or offering for sale or disposal in this State, of any certificates, shares, stocks, bonds, securities, contracts, or contracts or bonds for deeds, to determine whether the same constitute a violation of this act or any other statute of this State, by any individual co-partnership, Corp., or Assoc., promoting, offering, selling or pledging the same; and the said Com., their assistant or deputies, shall have the power to issue subpoenas and process compelling the attendance of any person and the production of any papers or books for the purposes of such investigation and examination, and shall have power to administer an oath to any person whose testimony may be required on such examination or investigation; and any person who shall refuse to obey any such subpoena or make answer to any competent and material question propounded to him by the said Com. shall, upon conviction in any court of competent jurisdiction, be deemed guilty of a misdemeanor, and fined in any sum not exceeding \$500 or be punished by confinement in the county jail for not more than 90 days, or both such fine and imprisonment. Upon the conclusion of such investigation, the said Com. may make findings of any fact touching the matter or matters under investigation, and such findings shall be

prima facie evidence of the truth of the matters therein found by the said Com. in any action, either civil or criminal, instituted under any of the laws or statutes of this State against the person, persons, partnership, Corp. or Assoc. The notice herein provided for may be given by registered letter mailed to the last known address of person or persons or Corps. to be investigated and the said Commission's certificate shall be sufficient evidence of such notice and the mailing thereof.

SEC. 13. Any person who shall knowingly make or file or cause to be made or filed with the said Com. any statement, document, circular, advertisement or prospectus, required to be filed by this act, which is false in any material respect or matter, shall be deemed guilty of a felony, and on conviction in any court of competent jurisdiction punished by a fine of not less than \$100 or more than \$5,000 or by imprisonment in the State penitentiary for not less than 1 nor more than 5 years, or by both such fine and imprisonment.

SEC. 14. Any person, partnership, Assoc. or Corp. who shall commit in this State any act declared unlawful by Secs. 2, 6, 9, or 11 of this act, shall be deemed guilty of a felony and on conviction in any court of competent jurisdiction be punished by a fine of not less than \$100 nor more than \$5,000, or by confinement in the Oklahoma State penitentiary for a term of not less than 1 nor more than 7 years.

SEC. 15. This act shall not apply to the owner of any speculative security who is not the maker or issuer thereof, who shall acquire and sell the same for his own account in the usual and ordinary course of business and not for the direct or indirect promotion of any enterprise or scheme within the purview of this act, providing that such ownership is in good faith. Repeated or successive sales of any such speculative security or securities shall be

**prima facie** evidence that the claim of ownership is not bona fide, but is a mere shift or device to evade the provisions of this act.

**SEC. 16.** Any person who shall knowingly or willingly subscribe to, or make, or cause to be made any false statements or false entry in any book of account of any person, co-partnership, Assoc. or Corp., subject to the provisions of this act, or exhibit any false paper with the intention of deceiving any person authorized to examine into the affairs of such person, co-partnership, Assoc. or Corp. or shall make or publish any false statement of the financial condition of any person, co-partnership, Assoc. or Corp. subject to the provisions of this act, or shall knowingly make any false statements materially affecting the value of the stocks, bonds, or other securities offered for sale by any such person, co-partnership, Assoc. or Corp., shall be deemed guilty of a felony and upon conviction thereof shall be fined not less than \$100 nor more than \$5,000, or shall be imprisoned not less than 1 year nor more than 10 years in the State Penitentiary.





## OREGON

As Amended 1915 Sess. of Leg.

**Dealer Defined.** SEC. 1. The word "dealer" within the meaning of this act shall include every person, partnership, Corp., or Asso. which is now engaged, or which shall hereafter engage, in the selling to others at a profit or on commission, or in the buying for the purpose or in the contemplation of so selling, any stocks, bonds, notes, contracts or other securities of whatsoever kind or character; *provided*, that any purchase for investment of any security or securities, or any sale of such security or securities previously held by the vendor thereof as or for an investment, by any person, partnership, Corp. or Asso., or any sale, transfer, or negotiation of such security or securities by the *bona fide* owner thereof, or by any agent exclusively for such owner's account, such sale, transfer, or negotiation not being in the course of repeated or continuing transactions of a similar nature, shall not constitute the purchaser or vendor of such security or securities so purchased or sold, a dealer within the meaning of this act; and, *provided, further*, that any partnership, domestic Corp., foreign Corp. doing business within this State, or Asso. which shall hereafter offer its own securities for sale to the public shall be considered a dealer within the meaning of this act.

**Dealers Shall File Statements.** SEC. 2. No dealer shall in this State offer for sale, or promote by advertisement, circular or any other form of public or general offering, the sale of any corporate securities to be hereafter issued unless prior thereto there shall have been filed with the Corporation Commissioner:

- (1) A copy of the security so to be issued.
- (2) A copy of any prospectus or advertising matter which is proposed to be issued in connection with the sale of such securities.

(3) A statement in substantial detail of the assets and liabilities of the Corp. proposing to issue such securities, or such a statement thereof as shall be prescribed by the Corp. Commissioner.

(4) A full statement of facts duly verified by the executive officers of the Corp. and 3 directors thereof showing the gross and net earnings for the preceding year of the Corp. proposing to issue such securities, if the Corp. has been in existence for that period; *provided*, that the Corp. Com. may require that such statement cover a longer period than 1 year; and, *provided further*, that the Corp. Com. may require such statement to be prepared by accountants or may make an examination of the Corp.'s affairs at its expense with his own accountants.

(5) Names and addresses of the officers and directors of the Corp. proposing to issue such securities.

(6) Purpose of issue.

(7) Description of property and business to be followed.

*Provided, however*, that the provisions of this act shall not apply to (a) Mtgs. sold or purchased in their entirety, (b) corporate securities issued under the supervision of a State or Nat. Commission, (c) commercial paper and acceptances eligible for rediscount at a Fed. Res. Bank, (d) State and Nat. Bank and Tr. Co. stock, (e) securities listed on such stock exchanges and in such standard manuals as the Com. may approve, (f) or to bonds or other evidences of indebtedness of the U. S., or of any Foreign Gov't, or of any State or Ter. of the U. S., or of any municipal or public Corp. of such Gov't, State or Ter.

Corporation Dept. of Ore., and Commissioner. SEC. 3. There is hereby established a Dept. to be known as the "Corporation Department of the State of Oregon." which Dept. shall be in charge of a

chief officer who shall be known as the Corporation Commissioner. The Gov. shall, immediately after this act goes into effect, appoint such Com., who shall hold office until the first Mon. in Jan., 1917, unless sooner removed by the Gov. for inefficiency or malfeasance in office; and thereafter, and at intervals of 4 years each, commencing on the first Mon. in Jan., 1917, it shall be the duty of the Gov. to appoint some qualified man as such Commissioner. \* \* \*

**Corporations, Etc., Now Supervised by Sec. or Treas. Are Given Over to Commissioner.** SEC. 6. \* \* \* All duties required by law to be discharged by the Sec. of State and State Treas., in connection with the supervision of Corps, joint stock Cos. and Assos., shall, from and after the taking effect of this act, be discharged by the said Com. All fees, charges, interest, fines and penalties provided by this act or heretofore paid to the Sec. of State and State Treas. by foreign and domestic Corps., joint stock Cos. and Assos., shall hereafter be paid into the Corp. Dept., \* \* \*.

**Dealers Shall Secure Permits.** SEC. 7. Any person, partnership, Corp. or Asso. applying to the Corp. Com. for a permit to do business as a dealer shall file in the office of the Com., together with the filing fee of \$500, evidence, to be confirmed by the said Com.'s investigation as may by him be deemed necessary, establishing the sound moral character and the good business repute of the person, partnership, Corp. or Asso. so applying and showing for what length of time such person, partnership, Corp. or Asso. has been engaged in the sale of securities. Also a statement of the assets and liabilities of such person, partnership, Corp., or Asso., and such other information as the said Com. may require. Such permit shall entitle such dealer to handle such stocks, bonds, notes, contracts or other securities in Ore. as are not objected to by the Corp. Com.; *providing*, that

such dealer shall file on the first day of each month a list of such stocks, bonds, notes, contracts or other securities on hand for sale, and handled by it during the preceding month as come within the provisions of Sec. 2 of this act and are not within the exceptions in said Sec. 2 contained; and, *providing further*, that said Corp. Com. shall have authority to prohibit said dealer from handling any of such issues at any time he shall be satisfied that said dealer is guilty of fraud or misrepresentation in the sale of any such securities and if the dealer shall refuse to obey the order made by the said Com. his permit may be revoked made by said Commissioner.

**Aggrieved Person May Appeal. SEC.**

8. Any person aggrieved by any decision of the Corp. Com. under this act shall have his appropriate remedy, provided by existing law, in any court having jurisdiction for the correction of such decision, if the same be erroneous or unjust or without jurisdiction.

**Shall Notify Commissioner of Changes.**

SEC. 9. No dealer operating within the scope of this act shall make any amendment to his or its charter, Arts. of incorporation, constitution or by-laws, or for increase or decrease of capital stock, or any other change materially affecting any statement or representation made in his or its statement filed under Sec. 2 hereof, unless he or it first prepare and file with the Corp. Com. a duly verified supplemental statement setting forth clearly and concisely all material facts in connection with the change, which said supplemental statement shall be subject in all respects to the provisions of Sec. 2 hereof in like manner as the original.

**Advertisements Are Regulated. SEC.**

10. It shall be unlawful for any dealer or his agent to issue, circulate or deliver any advertisement, pamphlet, circular or other document in regard to such stocks, bonds,

notes, contracts or other securities as shall come within the provisions of Sec. 2 of this act and are not within the exceptions in said Sec. 2 contained, in Ore. until after such dealer shall have been licensed to sell such securities in Ore. as provided in this act, and it shall be unlawful for any such licensed dealer or his agents to issue, circulate or deliver any such advertisement, pamphlet, circular or other document, unless the same shall be signed and bear a serial number and a copy thereof first filed with the Corp. Dept., nor shall it be lawful for such dealer or his agent to issue, circulate or deliver such advertisement, pamphlet, circular or other document after he has been notified of objection thereto by said Corp. Commissioner.

**Dealer May Appoint Agents.** SEC. 11. Any dealer may appoint one or more agents but no such agent shall do any business for said dealer in this State until he shall first register with the Corp. Com. as agent for such dealer and for each of such registration there shall be paid to the Com. the sum of \$2.00. Such registration shall entitle such agent to represent said dealer as its agent until the 1st day of July following, when it shall be necessary to re-register such agent. Such permit, however, shall be subject to revocation at any time by the Corp. Com. for cause and subject to the provisions of Sec. 10 of this act.

**Dealer Shall File Regular Statement.** SEC. 12. Every dealer shall file as of the close of business on June 30 of each year, and at such other times as required by the Corp. Com., a certified statement in such form as may be prescribed and furnished by the said Com., setting forth his financial condition and the amount of his assets and liabilities and furnishing such other information concerning his affairs as said Com. may require. Every regular statement of June 30, shall be accompanied

by a filing fee of \$2.00. Any dealer failing to file his report as of the close of business on June 30 of each year, within 15 days of that date, or failing to give any other or special report herein required, within 30 days after receipt of request or requisition therefor, shall forfeit his rights to do business in this State, and shall be subject to such further penalty as is hereinafter provided for violations of this act.

**Commissioner Given Power of Examination.** SEC. 13. The Corp. Com. shall have general supervision and control over any and all dealers, residing or doing business in this State, engaged in securing subscriptions for or in the issuance, transfer, sale, promotion, negotiation or distribution of any of such securities as are specified in Sec. 2 of this act and are not within the exceptions in said Sec. 2 contained, and all such dealers shall be subject to examination by the said Com., or his duly authorized deputies, at any time he may deem it advisable. The rights, powers and privileges of the Corp. Com. in making such examinations shall be the same as are provided with reference to the examinations of State Banks by the Supt. of Banks.

**Attorney General Shall Prosecute.** SEC. 14. Whenever it shall appear to the Corp. Com. that any dealer is insolvent or is conducting his or its business in such manner as to jeopardize the interests of creditors or investors, or shall fail, neglect or refuse to file any circulars, papers, statements, prospectuses, documents or other advertising matter or reports, or to pay any of the fees required or provided by this act, without satisfactory reasons therefor, the Corp. Com. may report the facts to the Atty. Gen. or to the Dist. Atty. having jurisdiction, who shall at once make an investigation of the case, and institute such proceedings in law or in equity in the name of the State in any Circuit Court having

jurisdiction as may be appropriate to enforce the provisions of this act and to protect the interests of stockholders and bondholders and other creditors and investors. The jurisdiction of the Circuit Court shall extend to the enforcement of any proper remedy now existing for the protection of any creditor, stockholder, bondholder, or other person beneficially interested and the suit, action or proceeding may be brought in any county in which any one or more of the parties reside.

**Penalty for Violating Act.** SEC. 15. Any dealer who shall violate any of the provisions of this act shall be deemed guilty of a crime and upon conviction thereof shall be fined for each offense not more than \$5,000.00, or by imprisonment in the State Penitentiary for not more than 5 years, or by both such fine and imprisonment at the discretion of the court.

**Fraudulent Overt Act Punished.** SEC. 16. Any dealer doing business within the State of Oregon, or any or all of the officers or agents thereof, alone or in conjunction with others, having devised or intending to devise any scheme or artifice to defraud any person or persons by securing subscriptions for, or by promoting or negotiating the issuance, transfer, distribution or sale of any stocks, bonds, notes, contracts, or other securities, of any kind or character, who shall, for the purpose of executing or attempting to execute, such scheme or artifice, commit any overt act within the State, shall be guilty of a crime, and, upon conviction thereof, shall be punished by a fine of not more than \$5,000.00, or by imprisonment in the penitentiary for not more than 5 years, or by both such fine and imprisonment, at the discretion of the court.

**Fraudulent Concealment Punished.** SEC. 17. If any dealer or any person with intent to induce the purchase of any of the securities mentioned in Sec. 1 of this act

shall, accompanied by any writing or token, or note or memorandum thereof, knowingly or recklessly with intent to deceive or defraud, make any false statement, or knowingly or recklessly, with intent to deceive or defraud, conceal any fact materially affecting the value of any of such securities, he, or they, shall be guilty of a crime, and upon conviction thereof shall be punished by a fine of not more than \$1,000.00, or by imprisonment in the county jail for not more than 12 months, or by both such fine and imprisonment, at the discretion of the court, and shall be liable in damages to any party who has been occasioned loss thereby.

**Seal and Certificate of Records. SEC. 18.** The Corp. Com. shall adopt a seal with the words "Corporation Department, State of Oregon," and such design as the Com. may prescribe engraved thereon, by which it shall authenticate its proceedings. Copies of all records and papers in the office of the Corp. Dept., certified by the Com. and authenticated by the seal of the Dept., shall be received in evidence in all cases equally and with like effect as the original. The Corp. Com. shall collect a fee of 25 cents per folio of 100 words or fraction thereof for making copies of any record, document or paper filed in his office, and for certifying and affixing the seal of the Corp. Dept. to any such record, document, or paper he shall collect, in addition a fee of \$2.00.



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## RHODE ISLAND.

(General Laws 1910, Chapter 557.)

"SEC. 39. No stock, shares or installment shares, in any Invest. Co., or in any real estate, mining, co-operative Corp., society, Assoc. or organization other than Bldg. and loan Assocs., or notes, or bonds, or other securities thereof, shall be sold or offered for sale in this state by any such Co., Corp., society, organization or Assoc., or by any agent or broker representing such Co., Corp., society, organization or Assoc., until such Co., Corp., society, organization or Assoc. has filed in the office of the Sec. of state a statement and certificate showing its financial condition, the location of its property or properties, with plans of the same, the amount of work done thereon, the amount of cash expended for improvements thereon, and the condition of the plant and machinery, if any, connected therewith. Such statement and certificate shall be subscribed and sworn to by the Pres., Treas., and Sec. of said Co., Corp., society, organization or Assoc. A like statement and certificate shall be filed annually thereafter on or before the first day of July of each year. For the filing of such statement or certificate a fee of \$10 shall be paid to the Sec. of state, and such statements and certificates shall be recorded by the Sec. of state in a book kept for that purpose and open for public inspection.

"SEC. 40. Any Co., Corp., society, organization or Assoc., or any agent or broker representing such Co., Corp., society, organization or Assoc., selling or offering for sale any stock, shares, or installment shares, or any notes, bonds, or other securities, in any such Co., Corp., society, organization or Assoc., which has failed to file a statement or certificate as herein provided, shall be fined not exceeding \$500 for each offence.

" SEC. 41. The provisions of this act shall not apply to any Corp. incorporated under the laws of this state where at least 90% of the property of such Corp. is located in this state.

" SEC. 42. On the request of the governor or Sec. of state, the Bank Comr. shall privately examine the books and accounts of any such Co., Corp., society, organization or Assoc., and if in his opinion such Co., Corp., society, organization or Assoc. is insolvent, or its condition is such as to render a continuance of the business hazardous to the public, said Bank Comr. may petition the superior court for the counties of Providence and Bristol for the appointment of a receiver of the estate and effects in this state of such Co., Corp., society, organization or Assoc., and for an injunction to restrain such Co., Corp., society, organization or Assoc., its officers or agents, from doing business in this state, and from selling or offering for sale in this state its stock, shares, notes, bonds, or other securities, and if incorporated under the laws of this state, for a dissolution, and said court shall have jurisdiction in equity of such petition. Such receiver shall have the rights and powers given to receivers under the provisions of Secs. 28, 29, and 30 of this chap., and all acts in amendment thereof or in addition thereto.

" The actual expenses of such examination of the books and accounts of such Co., Corp., society, organization or Assoc. shall be paid by such Co., Corp., society, organization or Assoc., if found by the Bank Comr. to be insolvent or the continuance of its business to be hazardous to the public, or of failing to file any report as required by law.

" If any Co., Corp., society, organization, or Assoc. refuses to allow an examination of its books and accounts by the Bank Comr., he shall apply to the superior court for the counties of Providence and Bristol alleging such fact, and said court, on proof

thereof, shall enjoin such Co., Corp., society, organization or Assoc. from doing business within this state, and from selling or offering for sale in this state its stock, shares, notes, bonds, or other securities, and if such Corp. is incorporated under the laws of this state, the court may order a dissolution of said Corp., and may appoint a receiver, who shall have the rights and powers above referred to."



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## SOUTH CAROLINA.

Enacted 1915 Session.

**Domestic Inves. Co.—foreign. SEC. 1.**

Be it enacted by the General Assembly of So. Car., Every person, Corp., copartnership, Co. or Asso. (except those exempt under the provisions of this Act) organized, or which shall hereafter be organized in this State, whether incorporated or unincorporated, which shall either himself, themselves or itself, or by or through others, sell or negotiate for the sale of any stocks, bonds or other securities issued by him, them or it within the State of So. Car., shall be known for the purposes of this Act as a domestic Inves. Co. Every such person, Corp., copartnership or Asso. resident of or organized in any other State, Ter. or Gov't, shall be known for the purposes of this Act as a foreign Inves. Co.

**Act does not apply to certain securities—power of Ins. Comr. SEC. 2.**

The provisions of this Act shall not apply to (a) securities of the U. S., or any foreign Gov't; or of any State or Ter. thereof, or of any county, city, township, Dist. or other public taxing Sub-Div. of any State or Ter. of the U. S., or any foreign Gov't; (b) unsecured commercial paper; (c) securities of public or quasi-public Corps., the issue of which securities are regulated by a Public Service Com. or Bd. of equal authority of the U. S. or of any State or Ter. of the U. S. or securities senior thereto; (d) securities of Nat. banks or of State banks or Tr. Cos. under the supervision of the State Bank Examiner, or Bldg. and Loan Assos. of this State; (e) securities of any domestic Corp. organized without capital stock and not for pecuniary gain, or exclusively for educational, benevolent, charitable or reformatory purposes; (f) Mtgs. upon real and personal property

situated within this State where the entire Mtg. is sold and transferred with the note or notes secured by such Mtgs.; (g) increase of stock sold and issued to stockholders; also stock dividends; (h) securities which are listed in any standard manual of information approved by Ins. Comr.: Provided, however, That said Ins. Comr. shall have the power to call for additional and further information than that contained in such manuals with reference to any securities listed therein, and may, pending the filing of such information, suspend the sale of such securities, and also suspend, either temporarily or permanently, the sale of any securities listed in such manuals after a hearing upon notice to the issuer of such securities if said Ins. Comr. shall find that the sale of such securities would work a fraud upon the purchaser thereof; (i) sales or negotiations for sales of stocks, bonds, or other securities by any Corp., copartnership or Asso. in the county in which it is organized.

**Statement to be filed with Ins. Comr. — filing fee.** SEC. 3. Before selling, offering for sale, taking subscriptions for, or negotiating for the sale in any manner whatever in this State, any stocks, bonds or other securities of its own issue, every Inves. Co., domestic or foreign, shall file in the office of the Ins. Comr. a statement showing in full detail the plan upon which it proposes to transact business; a copy of all contracts, stocks, bonds or other instruments which it proposes to make with, or sell to, its contributors or customers, together with a copy of its prospectus, and of the proposed advertisement of its sale of stocks, bonds or other securities, which statement shall also show the name and location and main office of the Inves. Co., the names and addresses of its officers, and an itemized account of its financial condition and the amount of its assets and liabilities, and such other information touching its

conditions and affairs as the Comr. may require. If such Inves. Co. shall be a copartnership or an unincorporated Asso., it shall also file with the Comr. a copy of its Arts. of copartnership or Asso., and all other papers pertaining to its organization. If it be a Corp. organized under the laws of So. Car., it shall also file with the Comr. a copy of its Arts. of incorporation, constitution and by-laws, and all other papers pertaining to its organization. If it shall be an Inves. Co. organized under the laws of any other State, Ter. or Gov't, incorporated or unincorporated, it shall also file with the Comr. a copy of the laws of the State, Ter. or Gov't under which it exists or is incorporated, and also a copy of its charter and the C't'f. of the proper officer of such State showing that it is authorized to transact business there; and also copies of its constitution and by-laws, and all amendments of any of the above mentioned instruments which have been made, and all other papers pertaining to its organization. It shall also pay a filing fee of 1/10 of 1% upon the face value of the securities for the sale of which application is made: Provided, however, That such filing fee shall not be more than \$100, nor less than \$2.50.

**Verification and certification of papers filed.** SEC. 4. All of the above described papers shall be verified by the oath of a member of the copartnership or Co., if it be a copartnership or Co., and by the oath of a duly authorized officer, if it be a Corp. or an unincorporated Asso. All such papers, however, as are recorded or are on file in any public office shall be further certified by the officer of whose records or archives they form a part, as being correct copies of such records or archives.

**Process served on Ins. Comr.—consent thereto.** SEC. 5. Every foreign Inves. Co. before offering for sale any of its stocks, bonds or other securities in this State, shall also file its irrevocable written consent that suits and actions may be com-

menced against it in the proper Court of any county in this State in which a cause of action may arise or in which the plaintiff may reside, by the service of any process or pleadings authorized by the laws of this State, on the Comr., said consent stipulating and agreeing that such service of such process or pleadings on such Comr. shall be taken and held in all Courts to be as valid and binding as if due service had been made upon the Co. itself, and said instrument containing such consent shall be authenticated by the seal of said foreign Inves. Co., and by the acknowledged signature of a member of the copartnership or Co., if it be a copartnership or Co., or by the acknowledged signature of the Pres. and Secy. of the incorporated or unincorporated Asso., if it be an incorporated or unincorporated Asso., and shall in such case be accompanied by a duly certified copy of the resolution of the board of directors, trustees or managers of the Corp. or Asso., authorizing the Secy. and Pres. to execute the same. In case any process or pleadings mentioned in this Act are served upon the Comr., it shall be by duplicate copies, one of which shall be filed in the office of the Comr., and another immediately forwarded by special delivery mail to the head office of the person or Corp. against which said process or pleadings are directed.

**Powers of Comr. SEC. 6.** The said Comr. shall have power to demand from any Inves. Co. seeking to come under the provisions of this Act any further information other than such Inves. Co. is required to furnish under the provisions of this Act which shall be necessary to the end that the Comr. may be put in possession of all facts and information necessary to qualify him to properly pass upon all questions that may come before him. He may make or have made under his direction a detailed examination of such Inves. Co.'s property, busi-

ness and affairs, which examination shall be at the expense of such Inves. Co. He may cause an appraisal to be made, at the expense of said Inves. Co., of the property of said Inves. Co., including the value of patents, good will, promotion and intangible assets, and it may fix the amount of stocks, bonds and securities that shall be issued by any incorporation, foreign or domestic, in payment for property, patents, good will, promotion and intangible assets at the value it shall find the same to be worth, and may require that such stocks and securities so issued for such property, patents, good will, promotion and intangible assets shall be deposited in escrow under such terms as said Comr. may prescribe. And said Comr. may withhold its license to sell stocks, bonds and securities if such Corp. has issued stocks, bonds and securities in payment for property, patents, good will, promotion and intangible assets in excess of their values as found by said Comr., or if said stocks, bonds and securities are not deposited in escrow according to the term fixed by such Comr. until such stocks, bonds and securities issued in payment for property, patents, good will, promotion and intangible assets in excess of the value so found by said Comr. has been surrendered to such Corp. and cancelled by it, and until the said stock has been deposited in escrow under the terms prescribed by said Comr.

**Comr. to investigate plan of business — duty in case of fraud — sale of stocks — certificate.** SEC. 7. It shall be the duty of said Comr. to examine the statements and documents filed in his office by any Inves. Co. and the reports of any investigation conducted under the direction of said Comr. and to hear such applicant, and he shall have power to examine under oath any person interested or connected with such Inves. Co., and if such Comr. finds that the proposed plan of business of said Inves. Co., or that its proposed contracts, stocks,

bonds or other securities are fraudulent or are of such a nature that the sale of such contracts, stocks, bonds or other securities would in the opinion of said Comr. work a fraud upon the purchaser, then said Comr. shall disapprove the sale of such proposed contracts, stocks, bonds or other securities and shall notify such Inves. Co. by Reg. mail of his findings and disapproval, and it shall be unlawful for such Co. to do any business in the way of selling, offering for sale, taking subscriptions for, or negotiating for the sale in any manner whatever of any such contracts, stocks, bonds and other securities in this State; and said contracts, stocks, bonds and other securities shall not be sold in this State. If, however, said Comr. shall not find that the proposed plan of business of said Inves. Co. or that its proposed contracts, stocks, bonds or other securities are fraudulent or are of such a nature that the sale of such contracts, stocks, bonds or other securities would in the opinion of said Comr. work a fraud upon the purchaser thereof, then he shall approve the sale of such stocks in So. Car. and issue its C't'f. in substantially the following language:

"This is to certify, That the ..... has this date been given permission to sell \$. ..... of its ..... within  
(Stocks, bonds or securities)

the State of So. Car. The Comr. does not recommend the purchase of this security.

Dated .....

In witness whereof, I have hereunto affixed my seal.

(SEAL)

.....  
Insurance Commissioner."

The words "The Commissioner does not recommend the purchase of this security" shall be printed in type 2 sizes larger than any other part of said C't'f., and in case said C't'f. or the fact that said Comr. has approved said security is printed or published in any circular, pamphlet or newspaper, the

words "The Commissioner does not recommend the purchase of this security" shall be printed in type 2 sizes larger than the type in which the statement of fact that such security has been approved by said Comr. appears.

**Who deemed "dealer."** SEC. 8. Any person, firm, copartnership, Corp. or Asso., whether domestic or foreign, not the issuer, who shall in this State sell or offer for sale any of the stocks, bonds or other securities issued by any foreign or domestic Inves. Co., except the securities specifically exempted in this Act, or who shall by advertisement or otherwise profess to engage in the business of selling or offering for sale such securities, shall be deemed to be a "dealer" in such securities within the meaning of this Act, and no dealer within the meaning of this Act shall sell or offer for sale any such securities or profess the business of selling or offering for sale such securities unless and until he shall have filed a list of the same in the office of the Comr., as in this Act provided. The term "dealer" shall not include an owner, nor issuer, of such securities so owned by him when such sale is not made in the course of continued and successive transactions of a similar nature, nor one who in a trust capacity created by law lawfully sells any securities embraced within such trust.

**Registration of dealer — agent — information to be furnished Comr. — service of process — license.** SEC. 9. Any dealer desiring to sell or offer for sale within this State any stocks, bonds or other securities not exempted under the terms of this Act, shall first register with the Comr., and shall furnish said Comr., upon oath, in such form as the Comr. shall prescribe, the following information, to wit: The dealer's name, residence and business address, the general character of the securities to be dealt in, the place or places where the business is to be conducted within this State, and where

the business in this State is not to be conducted by the dealer in person, then the names and addresses of all the persons in charge thereof. Said dealer shall pay to the Comr. a fee of \$1 and shall furnish said Comr. with such other information in addition to that above specified as said Comr. shall deem necessary in order to thoroughly acquaint such Comr. with the character of the business of said dealer. All authorized agents of any dealer shall be registered with the Comr., and the name of any agent shall be stricken from the register by the Comr. upon the written request of the dealer, and additional Agts. may be registered by the Comr. upon like request of the dealer: Provided, That no Agt. shall act as such until his name and address shall be registered with the Comr. If the dealer shall be a non-resident of this State or a Corp. other than a domestic Corp., he shall at the time he registers with the Comr. file with the Comr. a written duly authenticated appointment of the Comr. as his or its Agt. in S. C., upon whom process or pleadings may be served for and on behalf of the dealer, which appointment shall be irrevocable. Upon compliance by such dealer with the provisions of this Act, the said Comr. shall issue to such dealer a license under the seal of said Comr., and signed by the Comr., which said license shall be good until revoked by said Comr. for good cause upon notice to such dealer and a hearing duly had.

**Agents' Fee—Appropriation. SEC. 10.** In addition to the filing and examination fees herein provided for to be paid by Inves. Cos. and dealers, there shall be charged and collected by said Comr. a fee of \$1 for the registration and authorization of each agent of any such Inves. Co. or dealer, \* \* \*

**Accounts—Commissioner to investigate—per diem, etc.—license revoked—notice—hearing. SEC. 11. General**



accounts of every Inves. Co., domestic or foreign, shall be kept in a business-like and intelligent manner and in sufficient detail that said Comr. can ascertain at any time its financial condition, and the books of account shall at all times during business hours, except on Sundays and legal holidays, be open to stockholders and investors in said Co. and the said Comr. or his duly authorized representatives, and all such Inves. Cos. shall be subject to examination by said Comr., or his clerks, accountants or examiners, at any time said Comr. shall deem it advisable, and in the same manner as is now provided for the examination of State banks, and such Inves. Co. shall pay for such examinations of not to exceed \$7.00 for each day or fraction thereof and the actual traveling and hotel expenses of the person or persons making such examination, and the failure or refusal of any Inves. Co. to pay such fees, upon demand of the Comr., shall work a forfeiture of the right of such Inves. Co. to sell or offer for sale any of its contracts, stocks, bonds or other securities in this State. In case of a preliminary examination of any Inves. Co. by said Comr. for the purpose of the ascertainment by said Comr. as to whether said Co. shall be permitted to come under the provisions of this Act, the fee of such examination shall be the same as in this Sec. provided, and in case it shall be made to appear to the Comr. from the examination of said investment after said Inves. Co. has been authorized to sell its stocks, bonds and other securities would work a fraud upon the purchaser, then said Comr. may make an order revoking the license of said Inves. Co. to sell its stocks, bonds and securities, upon notice duly given and a hearing duly had, and may, pending such hearing, suspend the right of said Inves. Co. to sell its stocks, bonds and securities.

**Unlawful to offer securities without C't'f. of Comr.—advertisement regulated.**

SEC. 12. It shall be unlawful for any Inves. Co. or dealer, or representative thereof, either directly or indirectly, to sell or cause to be sold, offer for sale, take subscriptions for, or negotiate for the sale in any manner whatever in this State, any stocks, bonds or other securities (except as expressly exempted herein), unless and until said Comr. has approved thereof and issued C't'f. in accordance with the provisions of this Act, nor shall it be lawful for any such Inves. Co. to transact business on any other plan than that set forth in the statements and papers required to be filed by virtue of the provisions of this Act or the rules of the Comr. It shall be unlawful for any Inves. Co. or dealer, or its or his Agts., to issue, circulate or deliver any advertisement, pamphlet, circular, prospectus, or other document in regard to its stocks, bonds or other securities in So. Car. differing in any way from the copy filed with said Comr. as provided by this Act. It shall be unlawful for any newspaper published in So. Car. to advertise the sale of any stocks, bonds or securities which have not been approved by said Comr. or which are not exempt under the provisions of this Act.

**Compliance with this Act required.**

SEC. 13. No dealer within the meaning of this Act shall sell or offer for sale within the State any of the stocks, bonds or other securities of any Inves. Co. unless such Inves. Co. shall have fully complied with all the provisions of this Act, nor until said dealer shall have registered with the Comr., under the terms of this Act: Provided, however, That should any dealer desire to sell or offer for sale within this State the stocks, bonds or other securities of an Inves. Co. which has not itself complied with the provisions of this Act, said dealer shall make application to the said Comr.

for license as hereinbefore provided for applications by Inves. Cos. and shall pay the same fee required to be paid by said Inves. Co.

**Information for benefit of public. SEC.**

14. All information obtained by the Comr. with reference to any securities and all records of the Comr. relating thereto shall be open to examination by the public, and it shall be the duty of the Comr. to preserve such information, and so classify and arrange it as to facilitate examination. The Comr. may from time to time issue in pamphlet form, or by means of newspaper advertisements or otherwise, any and all information regarding any and all contracts, stocks, bonds or other securities sold or offered for sale within this State which he deems would be of public interest or advantage. \* \* \*

**Misdemeanor to make false statement.**

SEC. 16. Any person who shall knowingly or wilfully subscribe to or make or cause to be made any false statement or false entry in any book of any Inves. Co., or who shall exhibit any false paper with the intention or for the purpose of deceiving any person authorized to examine into the affairs of said Inves. Co., or shall make or publish any false statement of the financial condition of said Inves. Co., or false statement relating to the contracts, stocks, bonds or other securities by it issued and offered for sale, shall be deemed guilty of a misdemeanor and shall be punished as hereinafter provided.

**Commissioner to furnish information — fees — expenses. SEC. 17.**

The Comr. shall provide for the furnishing to those who may apply therefor, of any information regarding any Inves. Co. or its affairs, which is on file in his office, said Comr. to charge therefor approximately the cost of preparing such information. \* \* \*

**Companies to file statement of condition. SEC. 18.** Every Inves. Co., domestic

or foreign, shall file before Apr. 1 in each and every year a detailed statement in such form and containing such information as the Comr. shall require, showing its condition at the close of business on the preceding Dec. 31st, and shall at the same time pay a filing fee therefor of \$1.00.

**Misdemeanor to violate act.** SEC. 19. Any person or persons who shall violate any of the provisions of this Act shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined not more than \$1,000 or shall be imprisoned in the county jail for not more than one year, or both such fine and imprisonment, in the discretion of the Court. \* \* \*

Approved the twenty-fifth day of March,  
A. D. 1915.

## SOUTH DAKOTA

Code 1919, Chapter 13, Sections 10127 to 10149.

**Membership.** Sec. 10127. The securities Com. heretofore created, whose duty it shall be to administer and provide for the enforcement of the provisions of this Chap., shall continue to consist of the Supt. of banks, who shall be president thereof, the Atty.-Gen., and the rural credit Comr., all of whom shall be members of such Com. during their terms of office and any two of whom shall constitute a quorum. Such Com. shall have its office in the capitol, in a room to be furnished and equipped by the state, and all of its records shall be there kept. It shall hold regular monthly meetings on such dates as may be determined by the Com. and may hold special meetings on the call of the Pres.; it shall keep a complete record of all its meetings, its accounts and the business it transacts, and may prepare all necessary blanks to be used in its proceedings and in the conduct of its business. Such Com. shall have power to appoint a Sec. at a salary of not to exceed \$2,400 per annum. The person so appointed shall proceed to qualify by subscribing the usual oath of office and by giving a bond to the state in the penal sum of \$5,000, with such surety as the Com. shall approve, conditioned upon the faithful performance of the duties of the office, which bond shall be recorded and filed as the official bonds of other state officers.

The Sec., when acting for the Com., shall have equal power and authority, subject to the approval of the Com., and he may be authorized to reject applications subject to review. He shall attend to and perform any and all detail work relative to the Com. Such Com. shall have power to employ such other and further assistance

as may be necessary to carry out the provisions of this Chap. Such Com. shall annually make a report to the Gov. at the time and in the manner provided in Secs. 6922 and 7067, containing an accurate review of the work of the Com., a schedule of the permits granted, a schedule of the applications rejected, a statement of the receipts and disbursements of the Com. and such other material information as relates to the work of the office.

**Investment companies defined.** SEC. 10128. Every person, Corp., partnership, Co. or Assoc. except those exempt under the provisions of this Chap., organized or which shall hereafter be organized in this state, whether incorporated or unincorporated, who or which shall, either directly or through any person, engage in the business of selling or negotiating for the sale of any stocks, bonds, investment contracts, service contracts, purchase contracts, membership certificates or other securities issued by him or it within this state, shall be known for the purposes of this Chap. as a domestic investment Co. Every such person, Corp., partnership Co. or Assoc., resident of or organized in any other state, Terr. or Govt., shall be known for the purposes of this Chap. as a foreign Invest. Co.

**When chapter not applicable.** SEC. 10129. The provisions of this Chap. shall not apply to:

1. Securities of the U. S., of any foreign Gov't, of any state or Terr. of the U. S. or of any county, city, township, district or other public taxing subdivision of any state or Terr. of the U. S., or any foreign country.

2. Unsecured commercial papers.

3. Securities of public or quasi public Corps., the issue of which securities is regulated by the Board of R. R. Comrs. of this state, or by a public service commission or board of equal authority of any

state of Terr. of the U. S. or securities senior thereto.

4. Securities of state or national banks or of Tr. Cos. or building and loan associations of this state.

5. Securities of any domestic Corp. organized without capital stock and not for pecuniary gain, or exclusively for educational, benevolent, charitable or reformatory purposes.

6. Mortgages upon real and personal property situated within this state where the entire Mtg. is sold and transferred with the note or notes secured by such mortgages.

7. Increase of stock sold and issued to stockholders, also stock dividends.

8. Securities which are listed in any standard manual of information approved by such Com.; provided, that such Com. shall have the power to call for additional and further information than that contained in such manuals with reference to any securities listed therein, and may, pending the filing of such information, suspend the sale of such securities, and also suspend, either temporarily or permanently, the sale of any securities listed in such manuals after a hearing upon notice to the issuers of such securities, if such Com. shall find that the sale of such securities would work a fraud upon the purchasers thereof.

9. Isolated or single transactions.

All permits granted by the Com. created by Chap. 313 of the laws of 1913, that may be in force when this code takes effect, shall remain in force subject to revocation by the Com. provided for in this Chap.

**Company must file statement.** SEC. 1030. Before selling, offering for sale, taking subscriptions for, or negotiating for the sale in any manner whatever in this state, of any stocks, bonds, investment contracts, or service contracts, purchase contracts, membership certificates which purport to create a liability on the part of the

issuer, or other securities of its own issue, every Invest. Co., domestic or foreign, shall file in the office of the Com. a statement showing in full detail the plan upon which it proposes to transact business; a copy of all contracts; stocks, bonds or other instruments which it proposes to make with or sell to its contributors or customers, together with a copy of its prospectus and of the proposed advertisements of its sale of stocks, bonds, investment contracts, or service contracts, purchase contracts, membership certificates or other securities, which statement shall show the name, location and main office of the Invest. Co., the names and addresses of its officers and an itemized account of its financial condition, the amount of its assets and liabilities, and such other information touching its conditions and affairs as the Com. may require. If such Invest. Co. shall be a partnership or an unincorporated Assoc., it shall also file with the Com. a copy of its articles of partnership or Assoc., and all other papers pertaining to its organization. If it be a Corp. organized under the laws of this state, it shall also file with the Com. a copy of its articles of incorporation, constitution and by-laws, and all other papers pertaining to its organization. If it shall be an Invest. Co. organized under the laws of any other state, territory or Gov't, incorporated or unincorporated, it shall also file with the Com. a copy of the laws of this state, territory or Govt. under which it exists or is incorporated, and also a copy of its charter and the certificate of the proper officer of such state, territory or Govt., showing that it is authorized to transact business therein; and also copies of its constitution and by-laws, and all amendments to such instruments, if any have been made, and all other papers pertaining to its organization. Every such Invest. Co., foreign or domestic, shall at the time of filing the above named papers,



pay a certificate fee of 1/10 of 1% upon the face value of the securities for the sale of which application is made; provided, however, that such certificate fee shall not be more than \$100., nor less than \$10, and, in addition thereto, each applicant shall pay a filing fee of \$5 to be retained and paid into the securities Com. fund, the said certificate fee to be returned to applicant in the event of complete disapproval or rejection.

**Statement verified.** SEC. 10131. All of the above described papers shall be verified by the oath of a member of the partnership or Co., if it be a partnership or Co., and by the oath of a duly authorized officer, if it be a Corp. or an unincorporated Assn. All such papers, however, as are recorded or are on file in any public office shall be further certified by the officer of whose records or archives they form a part, as being correct copies of such records or archives.

**Consent to service of process.** SEC. 10132. Every foreign Invest. Co., before offering for sale any of its stocks, bonds, investment contracts or other securities in this state, shall also file its irrevocable written consent that actions and proceedings may be commenced against it in the proper court of any county in this state in which a cause of action may arise or in which the plaintiff may reside, by the service of any process or pleading authorized by the laws of this state on the Supt. of Banks of this state, such consent stipulating and agreeing that such service of such process or pleadings on such Supt. shall be taken and held in all courts to be as valid and binding as if due service had been made upon the Co. itself, and such instrument containing such consent shall be authenticated by the seal of such foreign Invest. Co., or by the acknowledged signature of a member of the partnership or Co., if it be a partnership or Co., on by

the acknowledged signature of the Pres. and Sec. of the incorporated or unincorporated Assoc., if it be an incorporated or unincorporated Assoc., and shall in such case be accompanied by a duly certified copy of the resolution of the board of directors, trustees or managers of the Corp. or Assoc., authorizing the Sec. and Pres. to execute the same. In case any process or pleading mentioned in this Chap. be served upon the Supt. of banks of this state, it shall be by duplicate copies, one of which shall be filed in the office of the securities Com. and the other immediately forwarded by registered mail to the head office of the person or Corp. against which such process or pleading is directed.

**Hearing by commission.** SEC. 10133. Every application shall be heard by the Com. at the next regular meeting after such application is filed, such filing to precede such regular meeting by 24 hours, or at a special or adjourned meeting of the Com., but if such application is heard at a special or adjourned meeting the Sec. shall give the applicant at least 2 days notice of such hearing. Such Com. shall have power to adjourn any hearing upon any application from day to day or from time to time.

**Commission may demand further information.** SEC. 10134. The Com. shall have power to demand from any Invest. Co. seeking to come under the provisions of this Chap. any further information, other than such Invest. Co. is required to furnish under the provisions of this Chap. which shall be necessary to the end that the Com. may be put in possession of all facts and information necessary to qualify it to properly pass upon all questions that may come before it. It may make or have made under its direction a detailed examination of such Invest. Co.'s property, business and affairs, which examination shall be at the expense of such Invest. Co. It

may cause an appraisal to be made, at the expense of such Invest. Co., of the property of such Co., including the value of patents, good will, promotion and intangible assets, and it may fix the amount of stocks, bonds, investment contracts and securities that shall be issued by any Corp., foreign or domestic, in payment for property, patents, good will, promotion, and intangible assets at the value it shall find the same to be worth and may require that such stocks and securities so issued for such property, patents, good will, promotion and intangible assets shall be deposited in escrow under such terms as said Com. may prescribe. And said Com. may withhold its license to sell such stocks, bonds, investment contracts, and securities if such Corp. has issued stocks, bonds, investment contracts and securities in payment for property, patents, good will, promotion, and intangible assets in excess of their value as found by said Com. or if said stocks, bonds, investment contracts and securities are not deposited in escrow according to the terms fixed by such Com. until such stock, bonds, investment contracts and securities issued in payment for property, patents, good will, promotion and intangible assets in excess of the value so found by said Com. has been surrendered to such Corp. and canceled by it, and until such stock has been deposited in escrow under the terms prescribed by said Com., provided that no Invest. Co. shall expend to exceed 15% of its issued capital stock for Com. and organization expense.

**Commission—Duties.** SEC. 10135. It shall be the duty of such Com. to examine the statements and documents filed in its office by any Invest. Co. and the reports of any investigation conducted under its direction and to hear such applicant and it shall have power to examine under oath any person interested or connected with such Invest. Co., and if such Com. finds

that the proposed plan of business of such Invest. Co., or that its proposed contracts, stocks, bonds, investment contracts or other securities are fraudulent or are of a nature that the sale of such contracts, stocks, bonds or other securities would in the opinion of such Com. work a fraud upon the purchaser, such Com. shall disapprove the sale of such proposed contracts, stocks, bonds, or other securities and shall notify such Invest. Co. by registered mail of its findings and disapproval, and it shall be unlawful for such Co. to do any business in the way of selling, offering for sale, taking subscriptions for, or negotiating for the sale in any manner whatever of any such contracts, stocks, bonds and other securities, and such contracts, stocks, bonds and other securities shall not be sold in this state. If, however, such Com. shall not find that the proposed plan of business of such Invest. Co. or that its proposed contracts, stocks, bonds or other securities are fraudulent or are of such a nature that the sale of such contracts, stocks, bonds, or other securities would in the opinion of such Com. work a fraud upon the purchaser thereof, it shall approve the sale of such stocks, bonds, contracts or other securities in this state and issue its certificate in substantially the following language:

"This is to certify that ..... has this date been given permission to sell \$..... of its ..... within the State of South Dakota.

Dated .....

In witness whereof, I have hereunto affixed the corporate seal of the securities commission.

(Seal)

.....  
Secretary."

The Com. shall have power to impose by order such terms, conditions, requirements, restrictions, or limitations upon granting

said certificate as it may deem necessary to prevent fraud upon purchasers or subscribers and may require any Invest. Co. to specifically consent in writing to any such terms, conditions, restrictions, or limitations imposed for the purpose of preventing fraud as a condition precedent to the issuance of such certificate to any applicant. The failure, omission, or neglect to obey, observe or comply with any order containing terms, conditions, requirements, restrictions, or limitations, or the violation thereof, shall be sufficient grounds for the suspension and cancellation of the certificate then in effect. Whenever it shall be necessary in the opinion of the Com. to prevent fraud upon the purchasers of securities covered by this Chap., it shall have power to require the bonding of any or all officers or agents for the benefit of purchasers as a condition precedent to the issuance of a certificate. The Com. shall have power at any time upon notice duly given and hearing duly had to amend, alter, cancel or revoke any terms, conditions, requirements, restrictions, or limitations, contained in any order and may suspend the certificate of the Invest. Co. pending such hearing.

**Dealer required to comply with law.**  
 SEC. 10136. Any person, partnership, Corp. or Assoc., whether domestic or foreign, not the issuer, who shall in this state sell or offer for sale any of the stocks, bonds, investment contracts or other securities issued by any foreign or domestic Invest. Co., except the securities specifically exempted in this Chap., or who shall by advertisement or otherwise profess to engage in the business of selling or offering for sale such securities shall be deemed a "dealer" in such securities within the meaning of this Chap., and no dealer within the meaning of this Chap. shall sell or offer for sale any such securities or profess to engage in the business of selling

or offering for sale such securities unless and until he shall have filed a list of the same in the office of the securities Com., as provided in this Chap. The term "dealer" shall not include an owner, or issuer, of such securities so owned by him, when such sale is not made in the course of continued and successive transactions of a similar nature; nor one who, in a trust capacity created by law, lawfully sells any securities embraced within such trust.

**Dealer to register.** SEC. 10137. Any dealer desiring to sell or offer for sale within this state any stocks, bonds, contracts or other securities, not exempted under the terms of this Chap., shall first register with the securities Com. and shall furnish such Com., upon oath, in such form as the Com. shall prescribe, the following information: The dealer's name, residence and business address; the general character of the securities to be dealt in; the place or places where the business is to be conducted within this state and, where the business in this state is not to be conducted by the dealer in person, the names and addresses of all the persons in charge thereof. Such dealers shall pay to the Com. a fee of \$50 and shall furnish the Com. with such additional information as it shall deem necessary in order to thoroughly acquaint it with the character of the business of such dealer. All authorized agents of any dealer or Invest. Co. shall be registered with the Com. and the name of any agent shall be stricken from the register by the Com. upon the written request of the dealer or Invest. Co., and additional agents may be registered by the Com. upon like request of the dealer or Invest. Co.; provided, that no agent shall act as such until he shall have filed with the Com. a signed and acknowledged certificate of registration and acceptance of agency upon forms to be furnished by the Com.; provided, further, that the

Com. shall have authority to reject or cancel the registration and appointment of any person as agent, for such cause as may to the Com. appear sufficient. If a dealer shall be a non-resident of the state or a Corp. other than a domestic Corp., he shall at the time he registers with the Com. file with the Com. a written, duly authenticated, appointment of the Supt. of banks of this state as his or its agent in this state upon whom process or pleadings may be served, such consent stipulating and agreeing that such service of such process or pleadings on such Supt. shall be taken and held in all courts to be as valid and binding as if due service had been made upon such dealer, and which appointment shall be irrevocable. Upon compliance by such dealer with the provisions of this Chap. the Com. shall issue to such dealer a license under the seal of the Com. and signed by the Sec. thereof, which license shall be good until revoked by the Com. for good cause upon notice to such dealer and a hearing duly had thereon.

**Agent's fee.** Sec. 10138. In addition to the filing and examination fees provided for in this Chap. to be paid by Invest. Cos. and dealers, there shall be charged and collected by the securities Com. a fee of \$8 for the registration and authorization of each agent of any such Invest. Co. or dealer, which fee and registration shall entitle each agent to act as such until the first day of July following, unless such authority be sooner revoked by the Com. or the dealer or Invest. Co. Each of such agents shall make a new registration on the first day of July of each year for the renewal of his agency, and the Com. shall charge and collect for each such renewal registration a fee of \$3. All fees and charges collected by the Com. shall be covered into the state treasury and credited to the securities Com. fund, which is hereby appropriated to the use of the

Com. toward paying the expenses of enforcing this Chap. The expenses of the Com. shall, however, be limited to the money received by it in fees. All expense actually and necessarily incurred by the Com. for salaries and expenses in carrying out the provisions of this Chap. shall be paid by the state treasurer upon warrants drawn upon the securities Com. fund by the state auditor, upon duly itemized and approved vouchers.

**Company to keep accounts — examinations.** SEC. 10139. General accounts of every Invest. Co., domestic or foreign, shall be kept in a businesslike and intelligent manner and in sufficient detail that the securities Com. can ascertain at any time its financial condition, and the books of accounts shall at all times during business hours, except on Sundays and legal holidays, be open to stockholders and investors in such Co., and such Com., or its duly authorized representative, and all such Invest. Cos. shall be subject to examination by such Com., any member thereof, or its authorized representative, at any time such Com. shall deem it advisable, and in the manner provided for the examination of state banks, and such Invest. Co. shall pay a fee for each of such examinations of not to exceed \$10 for each day or fraction thereof that any member of such Com. or its authorized representative is absent from the capital for the purpose of making such examination, and shall also pay the actual traveling and hotel expenses of the person or persons making such examination; and the failure or refusal of any Invest. Co. to pay such fee, upon demand of such Com. or its authorized representative, while making such examination, shall work a forfeiture of the right of such Invest. Co. to sell or offer for sale any of its contracts, stock, bonds or other securities in this state. In case of a preliminary examination of any Invest. Co.



by such Com. for the purpose of ascertaining whether such Co. shall be permitted to come under the provisions of this Chap., the fee of such examination shall be the same as provided in this section, and in case it shall be made to appear to the Com. from any such examination, after such Invest. Co. has been authorized to sell its stock, bonds, contracts or other securities, that the further sale of stocks, bonds, contracts or other securities would work a fraud upon the purchaser, such Com. may make an order revoking the license of such Invest. Co. to sell its stocks, bonds, contracts, certificates or securities upon notice duly given and a hearing duly had, and may, pending such hearing, suspend the right of such Invest. Co. to sell its stocks, bonds, contracts, certificates, or securities.

**Unlawful to sell without certificate.**  
SEC. 10140. It shall be unlawful for any Invest. Co. or dealer, or representative thereof, either directly or indirectly, to sell or cause to be sold, offer for sale, take subscriptions for, or negotiate for the sale in any manner in this state, of any stocks, bonds, investment contracts, service contracts, purchase contracts, membership certificates or other securities, except as expressly exempted in this Chap., unless and until such Com. has approved thereof and issued its certificate in accordance with the provisions of this Chap., nor shall it be lawful for any such Invest. Co. to transact business on any other plan than that set forth in the statements and papers required to be filed by virtue of the provisions of this Chap. or the rules of the Com. It shall be unlawful for any Invest. Co. or dealer, or its or his agents, to issue, circulate or deliver any advertisement, pamphlet, circular, prospectus or other document in regard to its stocks, bonds, contracts, certificates or other securities in this state

differing in any way from the copy filed with the Com. as provided by this Chap., nor until the same has been approved by the Com.

**Dealer not to sell without complying with law.** SEC. 10141. No dealer within the meaning of this Chap. shall sell or offer for sale within this state any of the stocks, bonds, contracts, certificates or other securities of any Invest. Co. unless such Co. shall have fully complied with all the provisions of this Chap., nor until such dealer shall have registered with the Com. under the terms of this Chap.; provided, that should any dealer desire to sell or offer for sale within this state the stocks, bonds, contracts, certificates or other securities of an Invest. Co., which has not itself complied with the provisions of this Chap., such dealer shall make application to the Com. for license as provided for Invest. Cos. and shall pay the same fee required to be paid by such Invest. Co.

**Records public.** SEC. 10142. The records of the securities Com. shall be public records and it shall be the duty of the Com. to preserve such information and to so classify and arrange the same as to facilitate examination by any person affected by matters therein contained, except that the Com. may, in its discretion, withhold information relating to the private affairs of persons or Corps. when in its judgment the same shall not be required for the public welfare, or any information relative to any matter that may be at issue in any court, unless upon an order of court. The Com. may from time to time issue in pamphlet form, or by means of newspaper advertisements or otherwise, any and all information regarding any and all contracts, certificates, stocks, bonds or other securities sold or offered for sale within this state which it deems to be of public interest or advantage.

**Chapter not to affect banking or insurance law.** SEC. 10143. Nothing in this Chap. shall be so construed as to affect any law giving the department of banking and finance of this state control of and supervision over state banks and the business of banking in this state, nor shall any part of this Chap. be so construed as to affect any law giving the Com. of Ins. of this state control of and supervision over the business of insurance in this state, and those engaged therein.

**Seal.** SEC. 10144. The securities Com. shall adopt a seal with the words, "securities commisson," and such design as the Com. may prescribe, engraved thereon; by which it shall authenticate its documents. Copies of all records and papers in the office of the Com., certified by the Sec. thereof and authenticated by its seal, shall be received in evidence in all courts equally and with like effect as the originals.

**False statement or entry.** SEC. 10145. Any person who shall knowingly or wilfully subscribe to, or make or cause to be made, any false statement or false entry in any book of any Invest. Co., or who shall exhibit any false paper with the intention or for the purpose of deceiving any person authorized to examine into the affairs of any Invest. Co., or shall make or publish any false statement of the financial condition of any Invest. Co. or false statement relating to the contracts, certificates, stocks, bonds, or other securities issued by it and offered for sale, shall be deemed guilty of a misdemeanor.

**Information furnished.** SEC. 10146. The securities Com. shall provide for furnishing to those who may apply therefor, any information regarding any Invest. Co. or its affairs, which is on file in the office of the Com., except such as is withheld by the Com. under Sec. 10142, such Com. to charge therefor approximately the cost of preparing such information. Each mem-

ber of the securities Com. shall perform the duties imposed upon him by this Chap., without other compensation than the salary paid him by the state, but he shall be entitled to receive his actual and necessary expenses incurred when absent from the seat of government on business of the Com.

**Annual statements.** SEC. 10147. Every Invest. Co., domestic or foreign, shall file during the month of Jan. in each year a detailed statement, in such form and containing such information as the Com. shall require, showing its condition at the close of business on the 31st day of the preceding Dec., and shall at the same time pay a filing fee therefor of \$5; provided, that in cases where nature of the business of a Corp. makes it advisable, in the opinion of the Com., that the annual statement be made as of a different date, the Com. may designate such other date whereof an annual statement shall be made. Failure of any Invest. Co. to file its annual statement within one month after the date specified, or failure to file any special report that may be required by the Com. within 30 days, shall forfeit its permit to sell securities in the state unless an extension of time be granted by the Com.

**Review by supreme court.** SEC. 10148. The supreme court upon petition of any person aggrieved may review, under such rules as it may prescribe, any final order or determination of the Com., but the proceeding for such review shall not, unless specially ordered by the court, operate as a stay of proceeding.

**Violation — penalty.** SEC. 10149. Any person, firm or Corp. who shall violate any of the provisions of this Chap. shall be deemed guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not to exceed \$1,000 or by imprisonment in the county jail not exceeding one year, or by both such fine and imprison-

ment. It shall be unlawful for any person, firm or Corp. to violate or fail to comply with any order, restriction, limitation, or requirement made or imposed by the Com., and any person, firm or Corp. who shall fail or neglect to comply with any order, limitation, restriction or requirement or who shall violate any of the same shall be deemed guilty of a misdemeanor and upon conviction shall be punished as in this section provided.









## TENNESSEE.

As enacted at 1915 Sess. of Legislature.

SEC. 1. Every Corp., every copartnership or Co., and every Asso. (other than State and Nat. Banks, Tr. Cos., Real Estate Mtg. Cos. dealing exclusively in real estate Mtg. notes, Building and Loan Assos., and Corps. not organized for profit), organized or which shall be organized in this State, whether incorporated or unincorporated, which shall sell or negotiate for the sale of any stocks, bonds, or other securities of any kind or character or any lands or town lots in any quantity situated outside of this State, other than bonds of the U. S., the State of Tenn., or of some municipality of Tenn., and notes secured by Mtgs. on real estate located in Tenn., to any person or persons in Tenn., other than those specifically exempted herein, shall be known for the purpose of this Act as a domestic investment company. Every such company organized in any other State, Ter., or Gov't shall be known for the purpose of this Act as a foreign investment company.

SEC. 2. Before offering or attempting to sell any stocks, bonds, or other securities of any kind or character or any lands or town lots, other than those specifically exempted in § 1 of this Act, to any person or persons, or transacting any business whatever in this State, excepting that of preparing the documents hereinafter required, every such investment company, domestic or foreign, shall file in the office of the Sec. of State of this State, together with a filing fee of \$25, the following documents, to wit:

A statement showing in full detail the plan upon which it proposes to transact business.

A copy of all contracts, bonds, or other instruments which it proposes to make with or sell to its contributors.

A statement which shall show the name and location of the Inv. Co., and an itemized account of its actual financial condition and the amount of its property and liabilities, and such other information touching its affairs as said Secretary may require.

If such company shall be a copartnership or an unincorporated Asso., it shall also file with the Sec. a copy of its Arts. of copartnership or Asso. and all other papers pertaining to its organization; and if it be a Corp. organized under the laws of Tenn., it shall also file with the Sec. a copy of its Arts. of incorporation, constitution, and by-laws, and all other papers pertaining to its organization. If it shall be a Co. organized under the laws of any other State, Ter., or Gov't, incorporated or unincorporated, it shall also file with the said Sec. a copy of the laws of such State, Ter., or Gov't under which it exists or is incorporated; and also a copy of its charter, Arts. of incorporation, constitution, and by-laws and all amendments thereof which have been made, and all other papers pertaining to its organization.

SEC. 3. All of the above-described papers shall be verified by the oath of a member of a copartnership or Co. if it be a copartnership or Co., or by the oath of a duly authorized officer if it be an incorporated or unincorporated Asso. All such papers, however, as are recorded or are on file in any public office shall be further certified to by the officer of whose records or archives they form a part as being correct copies of such records or archives.

SEC. 4. Every foreign Inv. Co. shall also file its written consent, irrevocable, that actions may be commenced against it in the proper court of any county in this State in which a cause of action may arise or in which the plaintiff may reside, by the service of process on the Secretary of

State, and stipulating and agreeing that such service or process on the Secretary shall be taken and held, in all courts, to be as valid and binding as if due service had been made upon the Co. itself, according to the laws of this or any other State; and such instrument shall be authenticated by the seal of such Co. and by the signature of a member of the copartnership or Co. if it be a copartnership or Co., or by the signatures of the Pres. and Sec. of the incorporated or unincorporated Asso. if it be an incorporated or unincorporated Asso.; and shall be accompanied by a duly certified copy of the order or resolution of the Board of Directors, trustees, or managers of the Corp. authorizing Sec. and Pres. to execute the same.

SEC. 5. It shall be the duty of the Secretary of State to examine the statements and documents so filed; and if said Secretary shall deem it advisable, he shall make or have made a detailed examination of such Co's affairs, which examination shall be at the expense of such Co. as hereinafter provided; and if he finds that such Co. is solvent, that its Arts. of incorporation or Asso., its constitution and by-laws, its proposed plan of business and proposed contract contain and provide for a fair, just, and equitable plan for the transaction of business, and in his judgment promises a fair return on the stocks, bonds, and other securities by it offered for sale, the Secretary shall issue to such Co. a statement reciting that such Co. has complied with the provisions of this Act, that detailed information in regard to this Co. and its securities is on file in the Sec. of State's office for public inspection and information, that such Co. is permitted to do business in this State; and such statement shall also recite in bold type the Sec. of State in no wise recommends the securities to be offered for sale by such security Co. But

if said Sec. finds that such Arts. of incorporation or Asso., charter, constitution, and by-laws, plan of business, or proposed contract contain any provision that is unfair, unjust, inequitable, or oppressive to any class of contributors, or if he decides from his examination of its affairs that said Co. is not solvent and does not intend to do a fair and honest business, and in his judgment does not promise a fair return on the stocks, bonds, or other securities by it offered for sale, then he shall notify such Co. in writing of his findings; and it shall be unlawful for such Co. to do any further business in this State until it shall so change its constitution and by-laws, Arts. of incorporation or Asso., its proposed plan of business and proposed contract, and its general financial condition in such manner as to satisfy the Sec. that it is solvent and its Arts. of incorporation or Asso., its constitution and by-laws, its proposed plan of business and proposed contract provide for a fair, just, and equitable plan for transaction of business, and does, in his judgment, promise a fair return on the stocks, bonds, and other securities by it offered for sale; *provided*, that all expenses paid or incurred and all fees or charges received or collected for any examination made under the provisions of this Sec. of this Act shall be reported in detail by the Sec. and a full report and record thereof made in detail.

SEC. 6. It shall not be lawful for any Inv. Co., either as principal or agent, to transact any business in form or character similar to that set forth in § 1 of this Act, except as is provided in § 2 of this Act, until it shall have filed the papers and documents above provided for. No amendment of the charter, articles of incorporation, constitution, and by-laws of any such Co. shall become operative until a copy of the same has been filed with the Sec. of

State as provided in regard to the original filing of charter, Arts. of incorporation, constitution, and by-laws; nor shall it be lawful for any such Co. to transact business on any other plan than that set forth in the statement required to be filed by § 2 of this Act, or to make any contracts other than that shown in the copy of the proposed contract required to be filed by § 2 of this Act, until a written statement showing in full detail the proposed new plan of transacting business and a copy of the proposed new contract shall have been filed with the Sec. in like manner as provided in regard to the original plan of business and proposed contract, and the consent of the Sec. obtained as to making such proposed new plan of transacting business and proposed new contract.

SEC. 7. Any Inv. Co. may appoint one or more agents, but no such agent shall do any business for said Co. in this State until he shall first register with the Sec. of State as agent for such Co., and for each of such registrations there shall be paid to the Sec. the sum of \$10. Such registration shall entitle such agent to represent such Co. as its agent until the first day of Mar. following, unless said authority is sooner revoked by the Sec.; and such authority shall be subject to revocation at any time by the Sec. for cause appearing to him sufficient.

SEC. 8. Every Inv. Co., domestic or foreign, shall file, at the close of business on Dec. 31 and June 30 of each year, and at such other times as required by the Sec. of State, a statement, verified by the oath of its Pres. and Sec., or, in their absence, by 2 of its principal officers, setting forth in such form as may be prescribed by the said Sec. of State its financial condition and the amount of its assets and liabilities, and furnishing such other information concerning its affairs as said Sec. may require. Each regular statement of Dec.

31 and June 30 shall be accompanied by a filing fee of \$5. Any Co. failing to file its report at the close of business Dec. 31 or June 30 of each year, within 10 days of that date, or failing to file any other or special report herein required within 30 days of receipt of request or requisition therefor, shall forfeit its right to do business in this State.

SEC. 9. The general accounts of every Invest. Co., domestic or foreign, doing business in this State, shall be kept by double entry; and such Co., its copartners or managing officers, shall at least once in each month make a trial balance of such accounts, which shall be recorded in a book provided for that purpose. Such trial balances and all other books and accounts of such Co. shall at all times during business hours, except on Sundays and legal holidays, be open to the inspection of stockholders and investors in said Co., or investors in the stocks, bonds, or other securities by it offered for sale, and to the Sec. of State or his deputies.

SEC. 10. The Sec. of State shall have general supervision and control, as provided by this Act, over any and all Invest. Cos., domestic or foreign, doing business in this State; and all such Cos. shall be subject to examination by the Sec. of State or his duly authorized deputies at any time the Sec. may deem it advisable, and in the same manner as now provided for the examination of Ins. Cos. The rights, powers, and privileges of the Sec. in connection with such examinations shall be the same as is now provided with reference to examination of Ins. Cos.; and such Invest. Co. shall pay a fee for each of such examinations not to exceed \$10 for each day or fraction thereof, plus the actual traveling and hotel expenses of said Sec. or deputy, that he is absent from the Capitol building for the purpose

of making such examination; and the failure or refusal of any Co. to pay such fees upon the demand of the Sec. or deputy while making such examination shall work a forfeiture of its rights to do business in this State.

SEC. 11. Whenever it shall appear to the Sec. of State that the assets of any Invest. Co. doing business in this State are impaired to the extent that such assets do not equal its liabilities, or that it is conducting its business in an unsafe, inequitable, or unauthorized manner, or is jeopardizing the interests of its stockholders or investors in stocks, bonds, or other securities by it offered for sale; or whenever any Co. shall fail or refuse to file any papers, statements, or documents required by this Act, without giving satisfactory reason therefor, said Sec. shall at once communicate such facts to the Atty.-Gen., who shall thereupon apply to the Chancery Court in the Dist. where such Co. is located or is doing business or to a Judge of said court for the appointment of a receiver to take charge of and wind up the business of such Co.; and if such fact or facts be made to appear, it shall be sufficient evidence to authorize the appointment of a receiver and the making of such orders and decrees in such cases as equity may require.

SEC. 12. Any person who shall knowingly or wilfully subscribe to or make, or cause to be made, any false statement or false entry in any book of such Invest. Co., or exhibit any false paper with the intention of deceiving any person authorized to examine into the affairs of such Co., or shall make or publish any false statement of the financial condition of such Co. or the stocks, bonds, or other securities by it offered for sale, shall be deemed guilty of a felony, and, upon conviction thereof, shall be fined not less than \$200 nor more than \$10,000, and shall be imprisoned for

not less than 1 year nor more than 10 years in the State penitentiary.

SEC. 13. Any person or persons, agent or agents, who shall sell or attempt to sell the stock, bonds, or other securities of any Invest. Co., domestic or foreign, or the stocks, bonds, or other securities by it offered for sale, who have not complied with the provisions of this Act; or any Invest. Co., domestic or foreign, which shall do any business, or offer or attempt to do any business, except as provided in Sec. 2 of this Act, which shall not have complied with the provisions of this Act; or any agent or agents who shall do or attempt to do any business for any Co., domestic or foreign, in this State, which agent is not at the time duly registered and has not fully complied with the provisions of this Act, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be fined for each offense not less than \$100 nor more than \$5,000 or by imprisonment in the county jail for not more than 90 days, or both such fine and imprisonment, at the discretion of the court.

SEC. 14. All fees herein provided for shall be collected by the Sec. of State and by him shall be turned into the State Treas. \* \* \*

SEC. 15. Should the courts, declare any Sec. of this Act unconstitutional or unauthorized by law or in conflict with any other Sec. or provision of this Act, then such decision shall affect only the Sec. or provision so declared to be unconstitutional, and shall not affect any other Sec. or part of this Act.



**TEXAS.**

Passed at the Special Sess. Leg. Called for July 27,  
1913.

1 An Act to regulate and supervise the sale and purchase, in this State, of stocks of private, foreign and domestic Corps. organized for profit, which propose to increase their capital stock; and to regulate and supervise the sale and purchase, in this State, of stocks of private, foreign and domestic Corps. being organized and hereafter organized or proposed to be organized, for profit; and to regulate and supervise the offering or contracting for sale and purchase of such stock of such Corp. or proposed Corp., and to fix commission and promotion fees allowed to be charged; and providing for service of process, examination fees, and exempting certain Corps. from the effect of this Act; providing penalty for the violation of the provisions of this Act, and declaring an emergency.

What Cos. are subject to the provisions of this act. SEC. 1. Every private Corp., foreign or domestic, organized for profit, which is now attempting or shall hereafter attempt to increase its capital stock, and every proposed Corp. attempted to be organized which shall, directly or indirectly, through itself, its agents or employes, or through any person or Asso. of persons, holding Cos., sales Cos. or otherwise, or through any other agents, sell or contract to sell any stock of such Corp. or proposed Corp., upon which sale or proposed sale or contract of sale any part of the proceeds derived or to be derived therefrom are used or to be used, directly or indirectly for the payment of any commission, promotion, organization fee or other expenses incident, directly or indirectly, to the sale of its shares of stock,

except attorney's fees, charter fees, franchise tax, permit fees and stationery and supplies, shall be subject to the provisions of this Act.

**Applies to mining, oil or gas townsite corporations.** SEC. 2. This Act shall also apply to any mining, oil or gas Corp. increasing its stock or proposed mining, oil or gas Corp. attempting to sell stock in which any land or mineral or thing of value is to be procured from, in or under such land that has been or is to be placed as an asset with or in the Corp. or proposed Corp., whether any promotion fee is charged or not, and to any townsite Corp. or proposed townsite corporation.

**Filing of statements with Sec. of State or commissioner before offering for sale — Filing fees.** SEC. 3. Before offering for sale or contracting to sell, directly or indirectly, any stock of such proposed Corp., or such increased stock of any existing Corp., or before selling any stock in any townsite Corp. as provided in Sec. 2, such Corp., or those promoting or having charge of the sale of stock of any proposed Corp., shall file, under oath, in the office of the Sec. of State, where, under the law, a charter would be filed in his Dept., or in the office of the Commissioner of Ins. and Bk'g. where, under the law, a charter would be filed in his Dept., together with a filing fee of \$20, the following documents: A statement showing in full detail the plan upon which the Corp. proposes to increase its capital stock or upon which the promoters or those having charge of the sale of stock of any proposed Corp. proposes to sell its stock and organize the Corp., together with a copy of all the forms of contracts, stocks (or deeds, if the same shall come under Sec. 2 hereof) to be used by the Corp. or promoters, or those having charge of the sale of stocks of any proposed Corp. in connection with

such stock sales. The statement shall further show the name, location and domicile of such Corp., and the names of its officers or proposed officers, if any, or promoters, and the addresses of all the parties; the amount of capital stock of any Corp. already organized, the proposed increase, or the proposed capital stock of the Corp. to be organized, and the price at which the stock is proposed to be sold; and the price at which the stock is proposed to be sold shall not be changed without filing with the Sec. or Com., as the case may be, a statement of such change, which shall be subject to his approval. Any such Corp. or promoters of such proposed Corp. shall furnish the Sec. or Com. such other information as may be necessary or proper concerning the sale of its stock.

**Filing of copy of charter and other evidence, when — Statement of estimated fees and expenses.** If it shall be a Corp. organized under the laws of any other jurisdiction, it shall file with the Sec. or Com. a copy of its charter, and such other evidence of its authority as the Sec. or Com. may require.

Said statement shall also show the commission, promotion, fee and other estimated incidental expenses proposed to be charged for the organization of such proposed Corp., or the increase in the capital stock of any Corp. already organized, and how the commissions or fees are to be paid.

**Corp. under Sec.— Must give estimate of actual value of property — Employment of experts.** If the Corp. or proposed Corp. comes under Sec. 2 hereof, the officers of the Corp., or the promoters of the proposed Corp., shall state the facts upon which they base their estimate of the actual value of the property which is to become an asset of the Corp., and the Sec. or Com. shall require such proof as

he may deem proper to establish the actual value of the property.

The Sec. or Com. shall have the right to employ such experts as he may deem necessary, and the experts shall be employed at the expense of the Corp. or promoters of a proposed Corp.

**Filing of statements relating to town-site Corps.— Issue of permit.** No Corp. proposed to be organized for the purpose of buying or selling town sites and town lots shall hereafter be granted a charter by the Sec. of State, or if a foreign Corp. shall not be granted a permit to do business in Texas unless the incorporators of said proposed Corp. or officer of such foreign Corp. shall file with the Sec. of State each and every document, contract and all papers referred to in Sec. 3 of this act, as well as a general statement of the plan of its proposed townsite, and a general statement of its methods of advertising same, together with a sample copy of its advertising literature, and no charter shall be granted any Corp. unless the compliance with the provisions of this act and in the judgment of the Sec. of State, such business of any proposed townsite Corp. will be honestly and fairly conducted both to the Corp. and to the public. And each and every Corp. in this State now existing or hereafter organized desiring to engage in the sale of townsite lots or sites shall, prior to such sale, file with the Sec. of State a general plan of said proposed lots to be sold, as well as a copy of any and all proposed contracts to be made with the public in the sale thereof, and a general statement of the literature proposed to be issued, and all matters referred to in Sec. 3 hereof, and if in the judgment of the Sec. of State said sale will be conducted both honestly and fairly to the Corp. and to the public, a permit to conduct said sale shall be granted. This provision shall not be construed to authorize the creation of any

Corp. for any purpose not now authorized by the laws of this State.

**Sec. or Com. shall grant or refuse the permit.** SEC. 4. The Sec. or Com., upon the receipt of the information as provided for in Sec. 3, shall grant or refuse such permit.

If the Sec. or Com. shall decide that the sale of stock will be fairly and honestly conducted, both to the Corp. and to the public, such permit shall be granted, provided that the commissions, promotion and other incidental expenses, exclusive of the exempted expenses mentioned in Sec. 1 of this act, shall not be more than 15% of the price at which such stock is to be sold as shown by the application or amended application.

**This act shall not affect stock previously sold or subscribed; unsold or unsubscribed part of it falls under condition of this act.** Provided, that where any proposed Corp. has already sold its stock, or a part thereof, or any part thereof has been subscribed at the time this act shall take effect, this act shall not affect stock previously sold or subscribed nor any contracts made in reference to same; but, if any of the stock of said proposed Corp. remains unsold or unsubscribed, said Corp. shall, nevertheless, be entitled to a permit upon complying with the other conditions of this act, including the future sale or subscription of any of its stock.

**Commission or promotion fee paid to agent or promoter, when — Kind of payments of stock.** The commission or promotion fee shall be paid to the agent or promoter as the stock is sold by him and paid by the purchaser. The stock shall be considered as paid for when paid for in cash, property or labor.

**Issue of permit depends on compliance with certain requirements, amongst them the filing of a bond approved by Sec. or commissioner.** No permit shall

be granted unless there shall appear upon the subscription lists and contracts of such Corp. or proposed Corp., in bold type, the amount of the commissions, promotion fees and other estimated expenses incident to the sale of such stock, and the interest which the officer, agent, employe or promoter selling or contracting to sell such stock has in such sale; nor shall such permit be granted until the applicants therefor have entered into a bond for not less than \$1,000 nor more than \$100,000, the same to be fixed by the Sec. or Com. at not more than ten per cent of the stock proposed to be issued. The said bond shall be payable to the Sec. or Com. as the case may be, and his successor in office, conditioned that the facts set forth in the application for such permit, and the proof and statement offered to such Sec. or Com., upon which the application is based, are true, and that they will comply with the provisions of this act in the sale of the stock of such Corp. or proposed Corp. Said bond may be made with individual sureties or a Surety Co. authorized to do business in Texas, and the bond shall be approved by the Sec. or Commissioner.

**Appeal to the Dist. Court of Travis Co. when permit refused.** SEC. 5. If a permit shall be refused by the Sec. or Com. the parties applying therefor may bring suit in the Dist. Court of Travis Co., Texas, to require said Sec. or Com. to issue such permit.

**Suit upon the bond provided for in Sec. 4 by reason of any misrepresentation—Amount recoverable—Requisition of a new bond—Cancellation of permit.** SEC. 6. Any person who shall be induced to purchase any stock of any Corp. or proposed Corp. by the officers, agents, employes, promoters or trustees, by reason of any misrepresentation of any material fact concerning such stock, such person or persons shall have the right to

bring suit upon the bond above provided for, and such bond shall be subject to, and security for, such person so purchasing the stock: provided, that such person shall not be entitled to recover more than the money paid, or the actual value of the property given, or the labor performed, in exchange for such stock, with legal interest from the date of the payment or the performance of the services, or the transfer of the property.

One or more recoveries upon such bond shall not vitiate the same, but it shall remain in full force and effect, but no recoveries upon such bond shall ever exceed the full amount of same, and upon suits being filed in excess of the amount of same, the Sec. or Com. may require a new bond, and, if the same is not given within thirty days, he may cancel the permit herein provided for.

**List of authorized officers, agents and employes and its changes filed with Sec. or Commissioner.** Whenever any permit has been issued, the Corp. or persons receiving the same shall file a list of the names of their or its authorized officers, agents and employes, and the postoffice address of each; and, in case of the change of any of its officers, agents or employes, it shall file a list of such changes with the Sec. or Commissioner.

**All collected money for the sale of stock shall be deposited with banking institutions.** SEC. 7. All moneys or other things of value collected by such Corp. or the promoters of a proposed Corp., for the sale of its stock, or contract for the sale of its stock, shall be deposited by said Corp. to its credit, or by the promoters of a proposed Corp., to the credit of its proposed officers or trustees, with the exception of the amount allowed for commissions, promotion fees and other incidental expenses, with a Bank, Bank and

Tr. Co. or Tr. Co. incorporated under the laws of this State, or of the U. S.

**All Corps. or proposed Corps. must keep a set of books open for inspection by the authorities.** SEC. 8. All such Corps., and the organizers or trustees of proposed Corps., shall keep a set of books, which shall show the amount of money, or other things of value received by such Corp. or proposed Corp. from the sale of its stock, or from contracts of sale of its stock, and such books shall show the number and amounts of stock sold or contracted to be sold, by whom sold, and to whom sold, or contracted to be sold, and the P. O. address of each. Said books shall at all times be open for inspection by the Sec. or Com., or his duly authorized agent.

**Cause for cancellation of permit—Right to bring suit in the Dist. Court of Travis county.** SEC. 9. Whenever the Sec. or Com. shall have information that any Corp., or the promoters of the proposed Corp., its officers, agents or employes, are not complying with the terms of this act in the sale of its stock, they shall notify such Corp., or its officers, agents or employes or the promoters of the proposed Corp. to appear, within 20 days, and show cause why such permit should not be canceled, and after the hearing such Sec. or Com. shall have the right to cancel such permit if the proof shall show that such Corp. or proposed Corp., or its officers, agents or employes are not complying with the terms of this act, but the parties or Corp. holding such permit shall have the right to bring suit, in the Dist. court of Travis Co., Tex., against the Sec. or Com. to reinstate such permit to sell stock.

**Foreign Corps. must show 50% paid-in capital—Does not apply to loan and Ins. Corporations.** SEC. 10. No permit to sell stock shall ever be issued to any



foreign Corp. which has not at the time of making application for permit at least 50% of its capital stock subscribed and paid in, providing that this shall not apply to any foreign Corp. engaged exclusively in the business of lending money in this State, nor to any Ins. Co. that is required by law to obtain a permit from the Com. of Ins. and Banking.

**Foreign Corps. shall file power of Att'y. like that provided in Art. 4773, R. S.—Duty of Sec. or Com. in accepting service.** SEC. 11. Each foreign Corp. or the promoters of any proposed foreign Corp. desiring to sell or contract to sell its stock in this State shall first file with the Sec. or Com. a like Power of Att'y. to that provided for life Ins. Corps. in Art. 4773. Revised Civil Statutes of Tex. of 1911, and service may be had upon the Corp. and the Sec. or Com., as the case may be, as therein provided for, and the Sec. or Com., as the case may be, upon receipt of such process as is therein provided for, shall proceed as is provided for him to do in Art. 4774. Revised Civil Statutes of Tex. of 1911, and the Sec. or Com's. acts and conduct in regard to such Power of Att'y., and such process shall be the same as is provided for in said Arts. 4774 and 4773. and the effect, force and result of such acts shall be the same as therein provided for.

**Violation of this law — Misdemeanor — Imprisonment.** SEC. 12. It shall hereafter be unlawful for any officer, agent or employe or trustee, or Holding Co., or sales agents, or person, or Asso. of persons in this State to sell, or offer to sell, or contract to sell, directly or indirectly, for such concern, any stock of any Corp. or proposed Corp., subject to this act, which has been, proposed to be, is now being, or may hereafter be organized for profit, without first complying with the provisions of this act, and any person so offending shall be guilty of a misdemeanor, and upon con-

viction shall be fined not less than \$25 nor more than \$2,000, and in addition thereto may be imprisoned in the county jail for any period not more than one year, or by both such fine and imprisonment.

**Subscribers must be refunded at the expiration of 2 years—Extension of time may be granted.** SEC. 12-a. At the expiration of 2 years from the granting of a permit under this act if the proposed Corp. has failed to organize, then all subscribers must be refunded the amount paid to the promoter or trustee; provided, however, that the Sec. or Com. may grant an extension of time for the sale of securities.

**Cumulative power of this act.** SEC. 13. This act shall be construed to be cumulative of any other law or laws of this State.

**Exemptions of this act for certain Corporations.** SEC. 14. The terms of this act shall not apply to any Nat. Bank, nor to any Corp. having a charter granted under any act of the Congress of the U. S., nor to any State Bank, Bank and Tr. Co. or Tr. Co. organized under the laws of this State, nor to any Corp. organized under the Federal Reclamation Act, approved June 17, 1902, or the regulations established by the Sec. of the Dept. of the Int. in pursuance thereof. Nor shall the terms of this act apply to any Corp. or the promoters of any Corp. organized under the laws of Tex. which does not sell or contract to sell its stock to more than 25 bona fide purchasers; provided, it does not act as the agent or trustee, Holding Co. or sales Co. in the promotion of any concern which is included under the terms of this act. Nor shall this act apply to any R. R. or Ry. Co. or interurban R. R. or Ry. Co., or St. R. R. or Ry. Co. Nor shall this act apply to the sale of stock of a Corp. by a bona fide owner of same, who had in good faith bought the same, and who in the purchase and sale of same was and is not acting directly or indirectly as

promoter or agent of such Corp. Nor shall this act apply to a bona fide stock or stock broker in the sale of stock, which stock has been by such Corp. sold and issued to a bona fide purchaser prior to the offering of same for sale by such broker; provided, that such purchaser or broker was not acting, directly or indirectly, as promoter of such corporation.

**Quarterly deposit of collected money — Examinations made at the expense of corporations.** SEC. 15. All moneys collected under the terms of this act by the Sec. or Com. shall be quarterly deposited by him with the State Treas. and credited to the general fund. Whenever the Sec. or Com. shall deem it necessary to examine the books of any Corp. or proposed Corp., subject to the provisions of this act, or investigate its financial condition, he shall do so at the expense of the Corp. or proposed Corp. under investigation, and the Corp. or the agents of the Corp. or proposed Corp. being investigated shall pay to the Sec. or Com., or his agent, making the investigation his actual expenses and \$7.50 per day for such investigation, which said expenses shall be paid at the termination of such investigation by the concern investigated.

**Definitions.** SEC. 16. Whenever the word "Secretary" is used in this act it shall be considered to mean Secretary of the State of Texas and whenever "Commissioner" is used in this act it shall be considered to mean Commissioner of Insurance and Banking of the State of Texas.







## UTAH

[Session Laws 1919, Chapter III, approved  
March 13, 1919]

**SEC. 1. Commission — duties — meetings — records — secretary — bond — reports — investigations.** There is hereby created a Commission to be known as the State Securities Commission, hereinafter referred to as the "Commission," whose duty it shall be to administer and provide for the enforcement of the provisions of this Act. Said Com. shall consist of the Sec. of State, the Bk. Com., and the Attorney General. The Sec. of State shall be the State Com. of Securities, hereinafter referred to as "Commissioner." Two members of said Com. shall constitute a quorum. Said Com. shall have its office in the State Capitol, Salt Lake City, to be furnished by the State, and all its records kept in its said office. It shall hold regular weekly meetings on such date as may be fixed by the Com. and may hold special meetings upon the call of the Comr. It shall keep a complete record of the business it transacts and shall prepare all blanks necessary in the conduct of its business. The Com. shall have authority to employ a secretary at a salary to be fixed by it not exceeding the sum of \$3,000 per annum. The Sec. shall qualify by taking the constitutional oath of office and by giving bond in the penal sum of \$5,000, conditioned for the faithful performance of the office of Sec. of said Com. to be approved by said Com., and said Sec. shall hold office during the pleasure of the Com. He shall perform all the duties required by the Com. On the 1st day of Jan. of each year the Com. shall prepare and file in the office of the Governor a report containing an accurate statement of the work of the Com. for the fiscal year ending Nov. 30th

preceding the year of said report which report shall also contain a schedule of all applications for licenses to sell securities in the State, a schedule of licenses granted, a schedule of licenses rejected, a schedule of licenses pending, a statement of the receipts and disbursements of the Com. and such other facts as may be necessary to a complete understanding of the work of said Com.

The Com. is hereby authorized to issue subpoenae compelling the attendance of witnesses and the production of books and records, to administer oaths, and to do such other things as may be necessary in the investigation of matters properly coming before it.

**SEC. 2. Provisions not applicable.** The provisions of this Act shall not apply to:

(a) Securities of the U. S. or any foreign government or any State or territory thereof or of any county, city, township, district or other public taxing subdivision of any State or territory of the U. S. or foreign government.

(b) Securities of the federal reserve banks, federal farm loan banks, national banks or State banks.

(c) Securities of public corps., the issuance of which is regulated by public service commissions or boards of supervision, in this State or of any other State or territory of the U. S.

(d) Commercial paper or negotiable promissory notes due not more than 3 years from their date.

(e) Securities of any domestic corp. or co-operative Assoc. organized without capital stock and not for pecuniary gain or exclusively for educational, religious, benevolent, charitable or reformatory purposes.

(f) Mortgages or notes or bonds secured by Mtgs. on real or personal property where the entire indebtedness and security is sold and transferred.



(g) Securities sold pursuant to the order of any court.

(h) Isolated or single transactions.

(i) Sales of stocks for delinquent assessment.

(j) Securities of corps. which are listed in any standard manual of information approved by the Com.

**SEC. 3. Investment company — dealer — bucketing — constructions.** “Investment company” for the purpose of this Act shall mean every person, firm, foreign and domestic corp., excepting those specifically exempted under Sec. 2 of this Act, that shall engage in the business within the State of Utah of selling or negotiating for the sale of any stocks, bonds, investment contracts or other securities herein called “securities” issued by said person, firm, domestic or foreign corp.

“Dealer” for the purposes of this Act shall mean every person, firm, domestic or foreign corp. that shall offer for sale within this State any of the stocks, bonds, investment contracts or other securities issued by any Invest. Co. as herein defined and except such as are specifically exempted as provided in Sec. 2 hereof, or that shall by advertisement or otherwise engage in or profess to engage in the business of selling, bartering or offering for sale or exchange such securities.

“Bucketing” for the purposes of this Act shall mean:

(a) The making of or offering to make any contract respecting the purchase or sale of any securities or commodities, wherein both parties thereto intend, or the dealer intends, that such contract shall be, or may be, terminated, closed, or settled according to or upon the basis of the public market quotations of prices made on any board of trade or exchange upon which said securities or commodities are dealt in and without a bona fide purchase or sale of the same; or (b) The making of or

offering to make any contract respecting the purchase or sale of any securities or commodities, wherein both parties thereto intend, or the dealer intends, that such contract shall be, or may be, deemed terminated, closed, or settled, when such public market quotations of prices for the securities or commodities named in such contract shall reach a certain figure without a bona fide purchase or sale of the same; or (c) The making of or offering to make any contract respecting the purchase or sale of any securities or commodities wherein both parties thereto do not intend, or the dealer does not intend, the actual or bona fide receipt or delivery of such securities or commodities, but do intend, or the dealer does intend, a settlement of such contract based upon the differences in such public market quotations of prices at which said securities or commodities are or are asserted to be bought and sold.

**SEC. 4. Registration — statements — deposits.** No Invest. Co. shall sell or offer for sale or exchange within the State of Utah any securities as herein defined or engage in the business of selling or offering for sale such securities without first registering with the Com. and filing under oath and upon forms prescribed by said Com. a statement containing the following information, to-wit:

(a) The Invest. Co.'s name and resident address.

(b) General character of securities to be sold or dealt in.

(c) A specific statement of the property, rights, titles, and interests owned upon which the value of the stock is based.

(d) The place or places where the business of selling securities is to be conducted within the State and where the business in this State is not to be conducted by the Invest. Co. then the names and addresses of all persons authorized to conduct such business.

(e) The total authorized capital stock of

of Corp. whose securities are offered for sale.

(f) The amount of the capital stock of any Corp. whose securities are offered for sale subscribed and issued.

(g) The consideration paid to the Corp. for capital stock issued and if any part of the stock so issued is issued for property, patent rights, copyrights, good will, or other thing of value, a detailed description of the property so transferred to and received by the Corp.

(h) A detailed statement of all promotion stock issued, with the names and addresses of the individuals receiving the same.

(i) The names of the officers and directors of the Corp. with a statement of the salaries, coms., fees, or any other compensation paid to them as such officers or directors.

(j) The names of the agents authorized to solicit purchases of said stock; whether or not such agents receive fees, Coms., or salaries, and if so, the amount thereof.

(k) Such other and further information as the Com. may from time to time in the performance of its duties require.

Said Invest. Co. shall accompany the application for license with a certified check or lawful money of the U. S., in the amount of 1/10% of 1% of the face value of the securities for the sale of which application is made, provided that such filing fees shall not exceed \$25.

**SEC. 5. Process agents — appointment irrevocable.** If the Invest. Co. or dealer be a non-resident of this State or a foreign Corp., he or it shall, at the time of making application for a license permitting him or it to conduct the business specified in this Act, execute, acknowledge and deliver to the Comr. proper and legal authority appointing the said Comr. process agent for the State of Utah, upon whom all legal process issued out of any court within the State of Utah may be served

for and in behalf of the dealer or Invest. Co., which appointment shall be irrevocable.

**SEC. 6. License—duration—suspensions.**

Upon compliance by such Invest. Co. with the provisions of this Act, the said Com. may issue to such Invest. Co. a license under the seal of said Com. and signed by the Sec. thereof, in such form or forms as the Com. shall adopt, which said license shall be valid for a period of one year from date of issuance unless sooner revoked by said Com. for good cause upon notice to such Invest. Co. and a hearing duly had; provided, however, that said license may be suspended as to the selling of specific securities pending the investigation and hearing by the Com.

**SEC. 7. Fees of agents—time due—renewals.** In addition to the filing and examination fees herein provided for to be paid by said Invest. Co. or dealer, there shall be charged and collected by said Com. a fee of \$5.00 for the registration and authorization of each agent of such Invest. Co. or dealer, which fee and registration shall entitle each agent to act as such until the 1st day of May following unless said authority is sooner revoked. Each of such agents shall make a new registration on May 1st of each year for the renewal of their agency, and the Com. shall charge and collect for each such renewal a registration fee of \$5.00.

**SEC. 8. Application and statements by dealers.** On or before the date when this Act takes effect every person doing business as a dealer shall file with the Com. a statement in writing, under oath, which shall contain, in such form as the Com. shall prescribe, (a) the name and postoffice address of the dealer; (b) if the dealer be a co-partnership or unincorporated Assoc., the names and postoffice addresses of all the members thereof, and if the dealer be a Corp., the names and postoffice addresses of all the officers and directors thereof; (c) the location of the

office or principal place of business of the dealer in Utah; (d) an application on behalf of the dealer for a license to do business under the provisions of this Act.

**SEC. 9. Fees and bonds of dealers.** At the time of presenting such statement and application for filing the dealer shall:

(1) Pay to the Com. the sum of \$10 as a license fee for the calendar year, and a license fee of \$10 shall be paid before the license shall be issued for any calendar year thereafter. Such fees shall be turned into the State treasury and credited to the State Sec. Com. fund.

(2) Deliver to the Com. a good and sufficient bond for \$5,000, payable to the State of Utah, to be executed by said applicant together with a surety Co. or 2 good and sufficient sureties, and to be approved both as to form and sureties by the Com. Said bonds shall be conditioned upon the faithful compliance with the provisions of law by said applicant, and provide that upon failure to so comply, the applicant shall be liable to any and all persons who may suffer loss by reason thereof.

**SEC. 10. License issued—public display.** Upon payment of such license fee, the Com. shall file such statement and application and shall issue a license, under the seal of the Comp., reciting that the dealer is licensed to do business under the provisions of this Act during the fiscal year for which such license is issued. Said license shall at all times be publicly displayed by the dealer at his said office or place of business.

**SEC. 11. Expiration and renewal of license.** All dealers' licenses issued under the provisions of this Act shall expire at the end of the fiscal year for which the same are issued and may be renewed only upon filing the statement and application and payment of the license fee required for the granting of an original license.

**SEC. 12. Dealers to keep book of accounts.** Every dealer licensed under the

provisions of this Act shall keep at his said office or principal place of business true and complete books of accounts showing all of the dealers' assets, liabilities, transactions and business.

**SEC. 13. Forms of books—examinations and regulation.** The Com. shall have power to prescribe the manner and form in which every licensed dealer's books of account shall be kept and to examine the same at all times and to require the dealer and his agents and employees to produce for his examination all other papers and records relating to the dealer's transactions and business, and, in general, shall have the same powers of examination and regulation of the transactions and business of licensed dealers as the State Bk. Com. has with respect to banks and other financial institutions of this State.

**SEC. 14. Powers of suspension—supervision of Commission.** If at any time, upon examination, it shall appear to the satisfaction of the Com., that any licensed dealer is insolvent or is doing business in violation of any of the provisions of this Act, the Com. may, by order, suspend the license of such dealer until such insolvency be cured or such unlawful practice shall cease, as the case may be. During such suspension it shall be unlawful for the dealer to do any business under said license, except under the supervision of and to the extent permitted by said Com.

**SEC. 15. Statements furnished customers.** Every licensed dealer shall, within 24 hours after demand, furnish to any customer or principal for whom such dealer has executed any order for the purchase or sale of any securities or commodities either for immediate or future delivery, a written statement showing the time when, the place where and the price at which the same were bought or sold.

**SEC. 16. Publications concerning affairs or properties prohibited—penalty.** Any person who knowingly makes or publishes

in any way whatever, or permits to be so made or published, any book, prospectus, notice, report, statement, exhibit or other publication of or concerning the affairs, financial condition or property of any Corp., joint-stock Assoc., co-partnership or individual which said book, prospectus, notice, report, statement, exhibit or other publication, shall contain any statement which is false or wilfully exaggerated or which is intended to give, or which shall have a tendency to give, a less or greater apparent value to the securities or property of said Corp., joint-stock Assoc., co-partnership, or individual, or any part of said securities or property then said securities or property or any part thereof, shall really and in fact possess, shall be deemed guilty of a felony, and upon conviction thereof shall be punished as provided in this Act.

**SEC. 17. Issuances permissive only—statement required.** All securities issued under authority of this Act by an Invest. Co. or dealer shall recite in bold type that the issuance thereof is permissive and that the Com. does not recommend or endorse the securities issued or sold.

**SEC. 18. Reports by investment companies—period and contents.** Every Invest. Co. shall on or before the 1st day of March in each year, make and file with the State Sec. Com. a report, covering the calendar year ending Dec. 31, preceding the filing thereof, and the same shall show fully and clearly the true financial condition of the Invest. Co. at the close of said calendar year and shall specifically state the amount of stocks, bonds, or other securities sold during the annual period, the price at which the same were sold, the Com. paid for the sale of the same, the amount of money in the treasury, the amount of work done, the cost of acquisition of property, the fair assessed valuation of property rights or interests owned or held by such Invest. Co., the names, ad-

dresses and place or places of business of the officers of the Co. and those in charge of its business affairs, and such other detailed information as may be required by the Com.; provided that the Com. may require reports at such other times as it may deem necessary.

**SEC. 19. Securities Commission fund—deposits—expenses.** All fees and charges collected by the Com., accompanied by a detailed statement thereof, shall be paid into the State treasury each month and credited to the State Sec. Com. fund, which is hereby created a permanent fund. All moneys remaining to the credit of the State Sec. fund at the end of each biennial period, in excess of \$5,000 shall be covered into the general fund. The State Sec. Com. fund shall be applied to the payment each month of salaries for services rendered and necessary traveling and administration expenses incurred thereunder, upon vouchers therefor duly presented by said Comp. to and approved by the State Board of Examiners.

**SEC. 20. Fees and charges—exceptions.** The Comp. shall charge and collect the following fees:

(a) For any examination, audit, or investigation, not to exceed \$10 per day or fraction thereof, plus the actual amount of traveling expenses reasonably incurred in the performance of such work.

(b) For copies of papers and records not required to be certified or otherwise authenticated by the Com., 20 cents for each folio.

(c) For certified copies of official documents, orders, and other papers filed in his office, and for transcripts 20 cents for each folio and \$1 for each certificate under seal.

(d) For certificate of serving and mailing process served upon the Com. in any action or proceeding commenced or prosecuted in this State against any person, corp. or Assoc. that shall have appointed the



## **Blue Sky Laws.**

Comr. its agent, as provided in Sec. 5 hereof, \$2.

No fees shall be charged or collected for copies of papers, records or official documents furnished to public officers for use in their official capacity or for the reports of the Comr., in the ordinary course of distribution; but the Comr. may fix a reasonable charge for publications issued under his authority.

**SEC. 21. Bucketing contract—felonies.** Any person who shall make or offer to make any bucketing contract shall be guilty of a felony and upon conviction thereof shall be punished as provided in this Act.

**SEC. 22. Statement in aid of certain contracts—prohibited.** Any person who shall communicate, receive, exhibit or display in any manner any statement of quotations of prices of any securities or commodities, with intent to make or offer to make, or to aid in making or offering to make, any bucketing contract, shall be guilty of a felony and upon conviction thereof shall be punished as provided in this Act.

**SEC. 23. Violations of Act a felony—Penalties.** Any person, firm, domestic or foreign Corp. that publishes an advertisement of an Invest. Co., dealer, or agent not duly licensed under the provisions of this Act, or that as an Invest. Co., dealer, or agent, sells, advertises for sale, or offers for sale securities as herein defined without first making application to the Com. and receiving the license herein required or that sells, advertises, or offers for sale securities as herein defined after the suspension or revocation of any license granted, or does any other act or thing in violation of the terms of this chapter shall be guilty of a felony and upon conviction thereof, shall be fined in a sum not less than \$100 and not more than \$5,000, or imprisoned in the State prison for a term of not more than 5 years.

**SEC. 24. Sale contracts unlawful—lia-**

**bilities to purchasers.** Any contract of sale made in violation of the terms of this chapter or without first applying for and receiving the license as herein required shall be unlawful and void and every person, firm, domestic or foreign Corp. participating directly or indirectly in the sale of any security in violation of the terms of this Act and every officer, director, and agent of any Corp. where acting as an Invest. Co. or dealer, or agent, shall be liable to the purchaser in a civil action instituted in any court of competent jurisdiction for the amount of the purchase price paid and all damages the purchaser may sustain, without proof of actual or constructive fraud.

**SEC. 25. Effect of invalidations of part of Act.** Should the courts of this State declare any Sec. or provision of this Act unconstitutional or unauthorized, or in conflict with any other Sec. or provision of this Act, then such decision shall affect only the Sec. or provision so declared to be unconstitutional or unauthorized and shall not affect any other Sec. or part of this Act.





## VERMONT.

Corrected to and including 1917 Session.

SEC. I. Sec. 4693 of the Public Statutes is hereby amended so as to read as follows:

SEC. 4693. Every Corp., co-partnership, Co. Asso. or individual located in this state which shall sell or negotiate for the sale of any lands situated outside this state, any stocks, bonds or other securities of any kind or character (except bonds of the U. S.; state of Vt.; municipalities of this state; notes secured by mortgages on real estate in this state; obligations given by individuals who are citizens or legal residents of this state; bonds, stocks or notes of Corps. doing business in this state by virtue of a charter granted by this state, bonds, stocks or notes of Corps. which have been approved by the Public Service Commission, or other governmental authority, of any state or of the U. S.), to any person in this state, shall be known for the purpose of this act as a domestic investment Co. Every such Corp., co-partnership, Co., Asso. and individual located or organized in any other state, territory or government, or organized under the laws of any other state, territory or government, shall be known for the purpose of this act as a foreign investment company.

A Corp., co-partnership, Asso., Co. or individual acting as a broker which wishes to sell in this state any of the securities or investments referred to in this Sec. which require a license for their sale, and which are listed on any of the exchanges in the principal cities of this country municipal bonds; Mtgs. of real estate or securities which have an established reputation, shall be known for the purposes of this act as an investment Co., and may be granted a license to sell such investments and securities under the same regulations and conditions as apply to domestic and foreign investment companies.

SEC. 2. Sec. 4694 of the Public Statutes is hereby amended so as to read as follows:

SEC. 4694. Before offering or attempting to sell any lands situated outside this state or stocks, bonds or other securities of any kind or character other than those specifically exempted in Sec. 1 of this act to any person or persons or transacting any business whatever in this state, excepting that of preparing the documents hereinafter required, every such Inv. Co., domestic or foreign, shall file in the office of the Bk. Com. together with the filing fee of \$25, the following documents to wit: A bond to the state for such amount as said Bk. Com. may require, not more than \$25,000 and not less than \$1,000, with such sureties or security as he may approve, conditioned for compliance with the laws of this state affecting such Inv. Cos; a statement showing in full detail the plan upon which it proposes to transact business; a copy of all contracts, bonds or other instruments which it proposes to make with or sell to its contributors; a statement which shows the name and the location of the Inv. Co., and an itemized account of its actual financial condition, and the amount of its property and liabilities, and such other information touching its affairs as said Bk. Com. may require. If such Inv. Co. is a co-partnership or an unincorporated Asso., it shall when requested in writing by the Bk. Com. also file with the Bk. Com. a copy of its articles of co-partnership or Asso., and all other papers pertaining to its organization, and if it be a Corp. organized under the laws of Vt. it shall when requested in writing by the Bk. Com. also file with the Bk. Com. a copy of its articles of incorporation, constitution and by-laws, and all other papers pertaining to its organization. If it is an Inv. Co. organized under the laws of any other state, territory or government, incorporated or unincorporated, it shall when requested in writ-

ing by the Bk. Com. also file with the said Bk. Com. a copy of the laws of said state, territory or government under which it exists or is incorporated, and also a copy of its charter, articles of incorporation, constitution and by-laws and all amendments thereof which have been made and all other papers pertaining to its organization. All of the above described papers, except charters or articles of Asso. of a domestic Corp. required to be filed with the Secy. of State of this state, shall be verified by the oath of a member of a co-partnership or Co., if it be a co-partnership or Co., or by the oath of a duly authorized officer, if it be an incorporated or unincorporated Asso. All such papers, however, as are recorded or are on file in any public office shall be further certified to by the officer of whose records or archives they form a part, as being correct copies of such records or archives. The Bk. Com. may in his discretion, waive the filing of any of the papers, bonds or documents described in this section.

SEC. 3. Sec. 4697 of the Public Statutes is hereby amended so as to read as follows:

SEC. 4697. Every foreign Inv. Co. shall when requested in writing by the Bk. Com. also file its written consent, irrevocable, that actions may be commenced against it, in the proper court of any county in this state in which a cause of action may arise or in which the plaintiff may reside by the service of process on the Secy. of State, and stipulating and agreeing that such service of process on the Secy. of State shall be taken and held, in all the courts, to be as valid and binding as if due service had been made upon the Co. itself, according to the laws of this or any other state, and such instrument shall be authenticated by the seal of said foreign Inv. Co. and by the signature of a member of the co-partnership or Co., if it be a co-partnership or Co., or by the signatures of the Pres. and

Secy. of the incorporated or unincorporated Asso., if it be an incorporated or unincorporated Asso., and shall be accompanied by a duly certified copy of the order or resolution of the board of directors, trustees, or managers of the Corp. authorizing the said Secy. or Pres. to execute the same.

SEC. 4. Sec. 4696 of the Public Statutes is hereby amended so as to read as follows:

SEC. 4696. It shall be the duty of the Bk. Com. to examine the statements and documents so filed, and if he shall deem it advisable he shall make or cause to be made a detailed examination of such Inv. Co's affairs, which examination shall be at the expense of such Inv. Co., as hereinafter provided; and if he finds that such Inv. Co. is solvent, that its articles of incorporation or Asso., its constitution and by-laws, its proposed plan of business and proposed contract contain and provide for a fair, just and equitable plan for the transaction of business, and in his judgment promises a fair return on the lands, stocks, bonds and other securities by it offered for sale, the Bk. Com. shall issue to such Inv. Co. a statement reciting that such Co. has complied with the provision of this act, that detailed information in regard to the Co. and its securities is on file in his office for public inspection, that such Inv. Co. is permitted to do business in this state for one year and such statement shall also recite in bold type that the Bk. Com. in no wise recommends the securities to be offered for sale by such Co. But if said Bk. Com. finds that said articles of incorporation or Asso., charter, constitution and by-laws, plan of business or proposed contract contain any provisions that are unfair, unjust, inequitable or oppressive to any class of contributors, or if he decides from his examination of its affairs that said Inv. Co. is not solvent and does not intend to do a fair and honest business, and in his judgment does not promise a fair return



on the lands, stocks, bonds or other securities by it offered for sale, then he shall notify such Inv. Co. of his findings, and it shall be unlawful for such Co. to do any further business in this state until it shall so change its constitution and by-laws, articles of incorporation or Asso., its proposed plan of business and proposed contract and its general financial condition in such manner as to satisfy the Bk. Com. that it is solvent, and its articles of incorporation or Asso., its constitution and by-laws, its proposed plan of business and proposed contract, provide for a fair, just and equitable plan for the transaction of business, and does, in his judgment, promise a fair return on the lands, stocks, bonds and other securities by it offered for sale; provided, that all expenses paid or incurred and all fees or charges received or collected for any examination made under the provisions of this Sec. shall be reported in detail by the Bk. Com. and a full report and record thereof made in detail.

SEC. 5. It shall not be lawful for any Inv. Co., either as principal or agent, to transact any business, in form or character similar to that set forth in Sec. 1 of this act, except as is provided in Sec. 2 of this act, until it shall have filed the papers and documents above provided for; nor shall an unlicensed Co. advertise its business in newspapers in this state or by circulars. No amendment of the charter, articles of incorporation, constitution and by-laws of any such Inv. Co. shall become operative until a copy of the same has been filed with the Bk. Com. as provided in regard to the original filing of charters, articles of incorporation, constitution and by-laws, nor shall it be lawful for any such Inv. Co. to transact business on any other plan than that set forth in the statement required to be filed by Sec. 2 of this act or make any contracts other than that shown in the copy of the proposed contract required to be filed by Sec. 2 of this act, until a writ-

ten statement showing in full detail the proposed new plan of transacting the business and a copy of the proposed new contract shall have been filed with the Bk. Com., in like manner as provided in regard to the original plan of business and proposed contract, and the consent of the Bk. Com. obtained as to making such proposed new plan of transacting business and proposed new contract.

SEC. 6. An Inv. Co. may appoint one or more agents, but no such agent shall do any business for said Inv. Co. in this state until he shall first register with the Bk. Com. as agent for such Inv. Co. Such registration shall entitle such agent to represent said Inv. Co. until the first day of April following, unless said authority is sooner revoked by the Bk. Com.; and such authority shall be subject to revocation at any time by the Bk. Com. for cause appearing to him sufficient.

SEC. 7. Sec. 4699 of the Public Statutes is hereby amended so as to read as follows:

SEC. 4699. Every Inv. Co., domestic or foreign, shall when requested in writing by the Bk. Com. file at the close of business on the last day of June and Dec. of each year, and at such other times as required by the Bk. Com., a statement verified by the oath of the co-partnership or Co., if it be a co-partnership or Co., or by the oath of a duly authorized officer, if it be an incorporated or an unincorporated Asso., setting forth in such form as may be prescribed by the said Bk. Com., its financial condition and the amount of its assets and liabilities, and furnishing such other information concerning its affairs as said Bk. Com. may require. Each regular statement of June and Dec. shall be accompanied by a filing fee of \$5.00. Any Inv. Co. when requested in writing by the Bk. Com. failing to file its report at the close of business on the last day of June or Dec. of each year within 10 days of the date, or failing

to file any other or special report herein required within 30 days after receipt of request or requisition therefor, shall forfeit its right to do business in this state.

SEC. 8. The Bk. Com. shall have general supervision and control, as provided by this act, over any and all Inv. Cos., domestic or foreign, doing business in this state, and all such Inv. Cos. shall be subject to examination by the Bk. Com. or his duly authorized deputy at any time the Bk. Com. may deem it advisable and in the same manner as is now provided for the examination of state Bks. and make such examination of securities sold by them in Vt. as shall be necessary for him to determine their character. The rights, powers, and privileges of the Bk. Com. in connection with such examinations shall be the same as is now provided with reference to examination of state Bks.; and such Inv. Co. shall pay a fee for each of such examinations of not to exceed \$10 for each day or fraction thereof plus the actual traveling and hotel expenses of said Bk. Com. or deputy in making such examination, and the failure or refusal of any Inv. Co. to pay said fees upon the demand of the Bk. Com. or deputy while making such examination shall work a forfeiture of its right to do business in this state.

SEC. 9. Sec. 4700 of the Public Statutes is hereby amended so as to read as follows:

SEC. 4700. Whenever it shall appear to the Bk. Com. that the assets of any Inv. Co. doing business in this state are impaired to the extent that such assets do not equal its liabilities, or that it is conducting its business in an unsafe, inequitable or unauthorized manner, or jeopardizing the interest of its stockholders or investors in lands, stocks, bonds or other securities by it offered for sale, or whenever any Inv. Co. shall fail or refuse to file any papers, statements or documents, required by this act, without giving satis-

factory reasons therefor said Bk. Com. shall at once communicate such facts to the Atty-Gen. who shall thereupon revoke the license of such Inv. Co. and send a copy of such revocation to the principal office of such Co. and to each agent thereof in this state and cause the same to be published in such manner as he deems proper; he shall also forthwith apply to a chancellor for the appointment of a receiver to take charge of and wind up the business of such Inv. Co. and if such fact or facts be made to appear it shall be sufficient evidence to authorize the appointment of a receiver and the making of such orders and decrees in such cases as equity may require.

SEC. 10. A person who knowingly or wilfully subscribes to or makes or causes to be made any false statement, or false entry in any book of such Inv. Co., or exhibits any false paper, with the intention of deceiving any person authorized to examine into the affairs of such Inv. Co., or makes or publishes any false statement of the financial condition of such Inv. Co., or the lands, stocks, bonds or other securities by it offered for sale, shall be fined not more than \$1,000, or shall be imprisoned for not more than 90 days, or both.

SEC. 11. A person who sells or attempts to sell the lands, stock, bonds or other securities of an Inv. Co., domestic or foreign, or the lands, stock, bonds or other securities by it offered for sale, who has not complied with the provisions of this act, or an Inv. Co., domestic or foreign, which does any business, or attempts to do any business, except as provided in Sec. 2 of this act which has not complied with the provisions of this act, or an agent who does or attempts to do any business for any Inv. Co., domestic or foreign, in this state, which agent is not at the time duly registered and has not fully complied with the provisions of this act, shall be fined for each offense not more than \$1,000, or shall be

imprisoned for not more than 90 days or both.

SEC. 13. Should the court declare any Sec. of this act unconstitutional or unauthorized by law, or in conflict with any other Sec. or provision of this act, then such decision shall affect only the Sec. or provisions so declared to be unconstitutional and shall not affect any other Sec. or part of this act.



## VIRGINIA

Laws 1918, Approved March 23, 1918

Be it enacted by the general assembly of Virginia, That the term "securities" as used in this act shall be taken to mean stock certificates, shares, bonds, debentures, certificates of participation, contracts, contracts or bonds for the sale and conveyance of land on deferred payments or installment plan, or other instruments in the nature thereof by whatsoever name known or called. The term "speculative securities" as used in this act shall be taken to mean and include (1) all securities to promote or induce the sale of which, profit, gain or advantage unusual in the ordinary course of legitimate business is in any way advertised or promised; (2) all securities for promoting the sale of which a Com. of more than  $7\frac{1}{2}\%$  is offered or paid, either in money, stock, property or otherwise, either directly or indirectly; (3) all securities the value of which materially depends on proposed or promised future promotion rather than on present tangible assets and conditions; (4) the securities of any enterprise, Assoc., partnership or Corp. which has included or proposes to include in its assets as a material part thereof, oil, gas, coal or mineral lands, leases or rights, options, patents, formulae, good-will, promotion, or intangible assets, or which has issued or proposes to issue a material part of its securities in payment for formulae, options, patents, good-will, promotion or intangible assets; (5) securities made or issued in furtherance or promotion of any enterprise or scheme for the sale of unimproved or undeveloped land on any deferred payment or installment plan, where the value of such securities materially depends on the future performance of any stipulation or promise to

furnish irrigation or transportation facilities, sidewalks, sewers, gas, light, streets, or other value enhancing utility or improvement; (6) contracts issued by persons or Cos. commonly styling themselves as "home" Cos., which purport to entitle the holder thereof to a loan from the issue after the payment of certain installments or dues, or contracts of a similar nature by whomsoever issued, or by whatsoever name called; (7) any stock contract, certificate of participation or other agreement which purports to permit persons, Assocs., partnerships or Corps. to purchase any property, real, personal, or intangible at a less price or upon more favorable terms than the general public is permitted to purchase same. The term "speculative enterprise" as used in this act shall be taken to mean any business undertaking, project, venture or activity for the promotion or furtherance of which "speculative securities" as herein defined are made, issued, sold, or offered for sale. The word "promoter" as used, in this act shall include any person, agent, broker, partnership, Assoc. or Corp. who shall sell, offer for sale, advertise or do any act in furtherance of the sale, barter or exchange of any "speculative securities" as defined in this act.

2. Information and fees required of promoters — conditions precedent to offering securities for sale. It shall be hereafter unlawful for any promoter to sell or offer for sale (except to banks, bankers, Tr. Cos. or dealers in securities), or by means of any advertisement, circulars, or prospectus, or by any other form of public offering, to attempt to promote the sale of any speculative securities in this State, unless there first shall have been filed with the State Corp. Com., hereafter called the Com., duly sworn to; (1) a copy of the securities so to be promoted; (2) a statement in substantial detail of the as-



sets and liabilities of the person or Co. making and issuing such securities and of any person or Co. guaranteeing the same, including specifically the total amount of such securities and of any securities prior thereto in interest or lien, authorized or issued by any such person or Co.; (3) if such securities are secured by Mtg. or other lien, a copy of such Mtg. or of the instrument creating such lien, and a competent appraisal or valuation of the property covered thereby, with a specific statement of all prior liens thereon, if any; (4) a full statement of facts showing the gross and net earnings of any person or Co. making and issuing or guaranteeing such securities, or of any property covered by any such Mtg. or lien; (5) all knowledge or information in the possession of such promoter relative to the character or value of such securities, or of the property or earning power of the person or Co. making and issuing or guaranteeing the same; (6) a copy of any prospectus or advertising matter which is to be used in connection with such promotion, and no such prospectus or advertising matter shall be used, unless the same has been filed hereunder, but same may be amended from time to time, by filing copies of the amendments with the Com.; (7) the names, addresses and selling territory in this State of any agents by or through whom any such securities are to be sold, and no such agents shall be employed unless such statement with respect to them, together with satisfactory evidence of their good character, has been filed hereunder and there shall have been paid to the Com. a registration fee of \$5 for each such agent. The payment of such fee shall be payment in full of all fees for registration of such agent until and including the first day of May next following; (8) the name and address of such promoter, including the names and addresses of all partners, if the

promoter be a partnership, and the names and addresses of the directors or trustees, and of the owners of the capital stock, if the promoter be a Corp. or Assoc.; (9) a statement showing in detail the plan on which the business or enterprise is to be conducted; (10) the articles of co-partnership or Assoc., and all other papers pertaining to its organization, if the securities be insured or guaranteed by a co-partnership or unincorporated Assoc.; (11) a copy of its charter and by-laws if the securities be issued or guaranteed by a Corp.; (12) any other information concerning the said promotion, its assets or the persons interested therein, which the Com. may require; (13) a copy of the contract to be used in taking subscriptions for such securities wherein shall be set out a complete and accurate statement without unnecessary verbiage of any stock or security of the Corp. whose securities are being offered for sale, which has been or is proposed to be issued in payment for patents, options, formulae, copyrights, leases, or for any consideration, whether similar thereto or not, other than par value or more in money, together with a full statement of the exact amount which is being paid directly or indirectly in money, securities or otherwise for the promotion of such Corp. or the flotation of such securities either directly or indirectly to any person whatsoever; (14) a filing fee of \$25.

**3. Foreign promoter to appoint Secretary of the Commonwealth as agent on whom process may be served. Effect of service.** Every foreign promoter before selling or offering for sale any speculative securities, in this State shall also file with the Com. his or its written consent, irrevocable, that action may be commenced against him or it in the proper courts of any county or city in this State in which a cause of action may arise, by the service

of process on the Sec. of the Commonwealth and stipulating and agreeing that such service of process on the Sec. of the Commonwealth shall be taken and held in all courts, to be as valid and binding as if due service had been made upon himself in person or the Co. itself, according to the laws of this or any other State, and such instrument shall be authenticated by the seal of said foreign Corp. and shall be accompanied by a duly certified copy of the order or resolution of the board of directors, trustees, or managers of the Corp. authorizing the said Sec. and Pres. to execute the same. When lawful process against any such promoter shall be served upon the Sec. of the Commonwealth, he shall forthwith mail a copy of such process to the defendant or defendants therein named, at such address as may have been filed with the Com. by such defendant. A judgment, decree or order of any court entered or made against any such person, firm or Corp. after service of process or notice as aforesaid shall be valid and binding on such defendant, in case of a Corp., as if it had been incorp. under the laws of this State and served with process or notice therein, and in the case of members of a firm or individuals, as if they had been personally served with process or notice therein.

**4. Adverse finding of Commission, notice of, effect of.**—If from the statements, papers and documents on file, or from other evidence submitted, it shall appear, and the Com. shall find (1) that the makers or guarantors of said securities are insolvent, or are untrustworthy; (2) or that the promoters' plan of business is dishonest, or fraudulent; (3) or that the promoters' plan of business does not adequately secure investors against the unlawful dissipation or misapplication of the funds of the enterprise, or business; (4) or that the promoters' literature or advertis-

ing is misleading and calculated to deceive purchasers or investors; (5) or that the enterprise or business of the promoter is unlawful or against public policy; (6) or, is a mere scheme of a promoter or promoters to get money or property at the expense of the purchasers of the aforesaid securities; the said Com. shall reduce its said findings to writing and attest the same by the signature of the chairman or secretary thereof. Notice of such finding or findings, shall immediately be given to the applicant by registered mail. And it shall thereafter be unlawful for the promoter or other person to sell, offer for sale, or by means of any advertisement, circular, or prospectus, or by any other form of public offering to attempt to promote the sale of any such speculative security or securities in this State, until such order be set aside as herein provided.

**5. Investigations by Commission — Findings.** The Com. shall, at any time, have the authority and jurisdiction to investigate the affairs of any speculative enterprise, the securities of which are being sold or offered for sale in this State, so far as may be necessary to ascertain whether or not the facts would justify any or all of the findings enumerated in paragraph (4), and to ascertain whether or not any order which may be promulgated as provided in paragraph (4) shall be continued or vacated, and after giving the promoters a hearing, may, if the evidence warrant, make any of the adverse findings enumerated in Sec. 4 of this act, and may make such order as to the costs as appears to be just and it shall thereafter be unlawful for any promoter to sell, offer for sale, or by means of any advertisement, circular, or prospectus, or by any other form of public offering to attempt to promote the sale of the securities of such speculative enterprise in this State, until such order be set aside as herein provided.

**6. Appeals from decisions of Commission.** Appeals may be taken by either party from the decision of the Com. to the supreme court of appeals of Virginia. The granting of such appeal, however, unless so ordered by the court, shall not operate as a stay of proceedings.

**7. Securities exempt from operation of this act.** The provisions of this act shall not apply to (a) securities of the U. S.; or any foreign government; or of any State or territory; or of any county, city, township, Dist. or other public taxing subdiv. of any State or territory of the U. S. or any foreign government. (b) Securities of public service or utilities corps; the issues of which are regulated by the com. or by the public service com. or board of similar authority of any State or territory of the U. S.; or securities senior thereto. (c) Securities of any Nat. Bank, or any bank, Trust Co. or Bldg. and loan assoc. organized under the laws of this State, after organization and while subject to examination and supervision by the proper authorities thereof. (d) Securities of any Co. which are not offered for sale to more than 25 persons in this State. (e) Securities of any domestic Corp. organized without capital stock, for religious, charitable or reformatory purposes. (f) Securities of persons, firms or Corps. which are not comprehended in the definition of "speculative securities" contained in clause one of this act. (g) Securities of any Corp. whose maximum authorized capital stock is not more than \$25,000.

**8. Investigation by Commission. Powers, Findings, Effects. Mailing of notices.** The Com. its assistants or agents shall have the power to issue subpoenas and process compelling the attendance of any person and the production of any papers or books for the purposes of such investigation and examination, as is provided for in this act, and shall have power to admin-

ister an oath to any person whose testimony may be required on such examination or investigation; and it shall be unlawful for any person to refuse to obey any such subpoena or make answer to any competent and material question propounded to him by the Com. its assistant or agent. No person shall refuse to testify because his testimony would tend to incriminate himself, but if called to testify by the Com. or the Commonwealth, he shall not thereafter be prosecuted for any crime growing out of the transaction concerning which he testifies. Upon the conclusion of any investigation, the Com. may make findings of fact touching the matter or matters under investigation, and such findings shall be *prima facie evidence* of the truth of the matters therein found by the Com. in any action, either civil or criminal, instituted under any of the laws or statutes of this State against the person, persons, partnership, corp. or assoc. selling or offering for sale such securities, or their agents or representatives. The notices provided for in this act may be given by registered letter mailed to the last known address of person or persons or corps. to be investigated and the com's. certificate shall be sufficient evidence of such notice and the mailing thereof.

**101½. Contract used by promoter, forms, contents, type.** It shall be unlawful for any promoter to engage in selling, offering to sell or contracting to sell any speculative security, except by printed contract, the form of which shall be approved by the Corp. Com. and in which shall be plainly set out in ten point type without unnecessary verbiage, the exact amount of money, fees, Coms. bonus or promotion stock which any person has received or is to receive by reason of the promotion or sale of such securities or which has been or is to be given or paid for any property, patents, options, formulas, copyrights,

leases, or promotion or intangible assets, either directly or indirectly, by any shift or device whatsoever, and it shall be unlawful for any corporate officer or other person in any capacity whatsoever to pay or issue or cause to be issued for any such consideration or as a bonus any money, stock or securities except as set forth in such subscription contract, unless any changed plan together with a properly changed form of contract, which form of contract, shall have first been approved by the Com. and such change shall be agreed to in a regularly called stockholders' meeting or in the event the promoter be not a Corp. then same must be agreed to by the holders who have purchased at par or more the majority of such securities. In every such contract as provided for in this section the following shall be stated in 12 point bold face type: "The value of the stock or securities referred to in this contract have not been passed upon by the State corporation commission."

**10. Violation of provisions of this act, punishment for.** Any promoter who shall commit, in whole or in part, in this State any act declared unlawful by this act shall be deemed guilty of a misdemeanor where not otherwise provided, and on conviction, be punished by a fine of not less than \$100 nor more than \$5,000, or by confinement in jail for not less than 30 days or more than 1 year, or by both such fine and imprisonment.

**11. Persons exempt from operation of this act. Successive sales evidence of fraud.** This act shall not apply to the owner of any speculative security, who is not the maker or issuer thereof, who shall acquire and sell the same for his own account in the usual and ordinary course of business and not for the direct or indirect promotion of any enterprise or scheme within the purview of this act, providing that such ownership is in good faith. Re-

peated or successive sales of any such speculative security or securities shall be prima facie evidence that the claim of ownership is not bona fide, but is a mere shift or device to evade the provisions of this act.

**12. Fees, disposition of. Assistants, expenses and salaries.** All fees herein provided for shall be collected by the Com. and shall be turned into the State treasury. The Com. shall also have full power to employ such temporary assistants or clerks as he may from time to time deem necessary and fix their compensation, and all salaries and expenses necessarily incurred in the administration of this act shall be paid out of fees collected and turned into the State treasury under the provisions of this act and the acts hereby repealed, upon the presentation of itemized vouchers, duly verified, and having the approval of the Com. The auditor shall issue his warrant on the State treasurer for such salaries and expenses, and the State Treas. shall pay the same out of said fees, and for that purpose the said fees are hereby appropriated for use during the fiscal years ending on the 28th day of Feb., 1919, and the 29th day of Feb., 1920, respectively.

**13. False statement or entry, making of, a felony. Punishment.** Any person who shall knowingly or wilfully subscribe to, or make, or cause to be made any false statements or false entry in any book of account of any persons, co-partnership, Assoc., or Corp., subject to the provisions of this act, or exhibit any false paper with intention of deceiving any person authorized to examine into the affairs of such person, co-partnership, Assoc. or Corp., shall knowingly make any false statements materially affecting the value of the stocks, bonds or other securities offered for sale by any such person, co-partnership, Assoc. or Corp., shall be deemed guilty of a felony and upon conviction thereof, shall be fined



not less than \$100 nor more than \$5,000, or shall be imprisoned not less than 6 months or more than 1 year in jail, or not less than 1 year nor more than 10 years in the State penitentiary, or by both such fine and imprisonment.

**14. Constitutionality of this act.** Should the courts declare any section or clause of this act unconstitutional, then such decision shall affect only the section or clause so declared to be unconstitutional, and shall not affect any other Sec. or part of this act.

**15. Promotion securities, powers of Commission relating to in escrow.** The Com. shall determine what part if any of the securities which any person, firm or Corp. subject to the provisions of this act proposes to offer or are offering are promotion securities and may make such order as may seem just and proper to prevent the sale of such promotion securities in competition with treasury securities in such way as to defraud the public as may seem proper and just to that end and for that purpose may, where it appears necessary to prevent the public from being defrauded, require that such securities shall be placed in escrow upon such conditions as the Com. may direct.

**16. Promotion fees, amount of. Powers of Commission relating to.** It shall be unlawful for any person, or persons, Assocs., co-partnership or Corp. to receive either directly or indirectly under any guise, devise, or pretext whatsoever, as promotion fee or as compensation for the organization of any corporation or flotation of any security whatsoever, more than 20% of the value of the security promoted, floated or sold, unless in the judgment of the Corp. Com. it should be proper to allow a larger per centum, this to cover the total promotion, organization or flotation fees or expenses either paid to one or more

persons, firms or Corps., either paid in money, stock or other thing whatsoever.

**18. Purpose of this act. May require securities to be placed in escrow.** This act shall not be construed to prevent the sale of purely speculative securities, but to give to the Com. power to require that the promoters of such securities shall honestly apply the proceeds of the sale thereof to the purpose for which such securities are sold; and to this end the Com. may further require such promoters to place promotion securities in escrow or to give security for the proper and honest application of such funds, as may come into their possession, for another, by reason of such promotion.

**22. Failure of promoter to comply with orders of Commission, effect of.** In the event of the failure of any promoter to comply with any order which the Com. is authorized by this order to make, then it shall be unlawful for such security to be sold until such order is complied with or set aside, as herein provided.





## WEST VIRGINIA

Laws 1915, Chap. 18.

SEC. 1. That no person or persons mentioned in Sec. 6 of this act, shall, as principal or agent, promote by advertisement, circular, prospectus, or any other form of public or general offering, inducement or persuasion, the issuance, transfer, distribution, sale or negotiation of any speculative securities, as hereinafter defined in Sec. 2 of this act, unless prior thereto he, or they, shall have filed with the auditor of this State, duly verified by his, or their oath or affirmation and accompanied by a filing fee of \$5, a statement containing the following; *provided, however*, that this Sec. shall not apply to a *bona fide* offer directly made to banks, bankers, brokers or Tr. Cos. who deal in such securities:

(a) A copy of the securities so to be promoted.

(b) A copy of the charter, or articles of Assoc., and by-laws, and such other information as may be necessary to establish the character of the promotion, and validity and value of the securities, not otherwise referred to in this section.

(c) A statement in substantial detail of the assets and liabilities of the person or Co. issuing such securities and of any Co. or person guaranteeing the same, including specifically the total amount of such securities and of any securities prior thereto in interest or lien.

(d) If such securities are secured by Mtg. or other lien, a copy of such Mtg. or of the instrument creating such lien, and a competent appraisal or valuation of the property covered thereby with a specific statement of all prior liens thereon, if any.

(e) A full statement of facts showing the gross and net earnings actual or estimated, of any person, or Co. issuing or

guaranteeing such securities, or of any property covered by any such Mtg. or lien.

(f) All knowledge or information in the possession of such promoter, relative to the character or value of such securities, or of the property or earning power of the person or Co. issuing or guaranteeing the same, including a statement that such promoter has fully investigated the same and believes the facts as stated to be reliable and true, with such exceptions, if any, as may be stated.

(g) A copy of any prospectus or advertising matter which is to be used in connection with such promotion. Such prospectus shall contain a clear and concise statement of the amount of money estimated as necessary to carry out the objects of the promotion; the price at which it is intended to sell securities; the amount of promotion expense, Coms. and other overhead expenses contemplated, and the net amount to be derived by the Co. from the sale of each share of stock, bond, note, contract or other security, and no prospectus or other advertising matter shall be used unless the same has been filed hereunder. But in case no prospectus or advertising matter is filed or used, a statement containing the information referred to in this Sub-sec. shall be filed with the auditor.

(h) The names and addresses of any agents by or through whom any securities are to be sold in this State and no agent shall be employed or act unless such statement with respect to them has been filed hereunder.

(i) The name and address of such promoter, including the names and addresses of all partners, if the promoter be a partnership, and the names and addresses of the directors or trustees (and of any and all persons owning *ten per centum* or more of the capital stock), if the promoter be a Corp. or Assoc.

Compliance by any person or persons

mentioned in Sec. 6 of this act, with the provisions of this Sec. shall *ipso facto* operate to appoint the auditor of this State as his, or their attorney-in-fact, irrevocable, for the specific purpose of receiving service of notices and processes which may be issued against him or them in any action arising out of the promotion, negotiation, issuance, transfer, distribution, or sale by him, or them in this State, of any of the speculative securities concerning which such compliance is made, and the service of any such notice or process on said auditor, or his acceptance of service endorsed thereon shall be equivalent for all purposes to, and shall be and constitute due and legal service of such notice or process upon any such person or persons.

Immediately after being served with or accepting any such process or notice, the auditor shall file a copy of such process or notice with a note thereon endorsed of the time of service or acceptance, as the case may be, and transmit such process or notice by registered mail to the head office of such person or persons.

Suits and actions may be commenced against such person or persons in the proper court of any county in this State in which a cause of action may arise or in which the plaintiff may reside.

SEC. 2. The term "speculative securities," as used in this act shall include all the stocks and securities mentioned in Sec. 6 of this act, which shall, in their subscription, issuance, sale, transfer, negotiation or distribution, be represented to yield a profit to the purchaser, or other transferee of more than 8%.

SEC. 3. No person or persons described in Sec. 6 of this act, and not coming within the terms of Sec. 2 of this Act, shall, as principal or agent, promote by advertisement, circulation, prospectus, or any other form of public or general offering, inducement or persuasion, the issuance, sale, trans-

fer, negotiation or distribution of any of the securities mentioned in Sec. 6 of this act, without first having notified the auditor, describing such securities, and if it shall appear therefrom, or from any investigation which the auditor is hereby authorized to make, that such information is not sufficient to determine the character and value of such securities, or of such promotion, or of the honesty thereof, then such securities shall be taken and deemed to be speculative under the terms of the preceding Sec. hereof, and after notice in writing by the Auditor of state, such securities shall be subject in all respects to the provisions of this act regarding speculative securities.

SEC. 3-a. The listing and necessary description of any securities, with the price thereof, in any sales list distributed or advertised by any dealer in securities shall be subject to the provisions of this section.

SEC. 4. (I) In the case of a person or persons mentioned in Sec. 6 of this act, not yet on a dividend paying basis, if more than \$500 in cash, or the equivalent at par in the stocks or securities to be promoted, has been or is to be paid or issued for intangible assets or property taken over by such person or persons, a subscription blank showing the amount of such payment or issue, and such other information in connection therewith as may be deemed necessary by the auditor, shall be filed with said auditor, and subscriptions or applications for said stocks and securities shall be recognized by such person or persons only when made upon such subscription blank and signed by the subscriber or applicant.

The auditor may secure stock or securities, issued or to be issued for property or intangible assets as aforesaid, to be deposited in escrow under such terms as he may prescribe.

(II) In the case of stocks, the total promotion expense shall not exceed 10% of



par value of stock sold, and if sold at less than par, 10% of the selling price.

In the case of bonds, notes, contracts, or other securities, the total promotion expense shall not exceed 5% of par value.

(III) The provisions of Secs. 1, 2 and 3 of this act, shall not apply to the stocks of state and Nat. Banks, Bldg. and loan Assocs. and Corps. not organized for profit; nor to other stocks and securities.

(a) When sold pursuant to the order of any court;

(b) When sales are confined to the old stockholders of the issuing company;

(c) When the issue is taken by the incorporators only as *bona fide* final holders;

(d) When the issue is taken by the stockholders, bondholders, or incorporators in connection with a merger;

(e) When *bona fide* private holdings of promoted stocks, bonds, notes, contracts or other securities are offered for sale.

(IV) All the provisions of this Sec. shall apply to both speculative and non-speculative securities.

SEC. 5. The auditor shall immediately examine the papers submitted under Sec. 1 of this act; *provided*, that as to any of the papers required to be filed under subparagraphs (c), (d) and (e) of Sec. 1, the auditor may waive same or any part thereof if he has on file sufficient information believed by him to be reliable with reference thereto.

If the provisions of this act are complied with, the auditor shall give notice to the applicant that the papers have been filed, and notice from the auditor of said filing shall, so long as it remains unrevoked, be conclusive evidence of compliance with this act.

If, from the examination of such papers, or of any additional information or proof, or by reason of the failure to file any information or proof required as aforesaid, it shall appear that the issuance, transfer,

sale, promotion, negotiation or distribution of such stocks or securities, constitutes, or would constitute, a violation of this act, the auditor shall so notify such applicant in writing, and no such applicant or other person shall thereafter issue, transfer, sell, promote, negotiate or distribute any such stocks or securities or commit any overt act in connection therewith.

Any person aggrieved by the decision of the auditor of state under this Sec., shall within 60 days thereafter, have the right to petition any court having jurisdiction, or the judge thereof in vacation, for a writ of mandamus, or for other appropriate remedy, provided by existing law, for the correction of said decision, if the same be erroneous or unjust, or without jurisdiction.

SEC. 6. Any person, co-partnership, Assoc. or domestic Corp., or foreign Corp., doing business within the State of West Virginia, or any or all of the officers or agents thereof, alone or in conjunction with others, having devised or intending to devise any scheme or artifice to defraud any person or persons by securing subscriptions for, or by promoting or negotiating the issuance, transfer, distribution or sale of any stocks, bonds, notes, contracts, or other securities of any kind or character, who shall for the purpose of executing or attempting to execute such scheme or artifice commit any overt act within this State, shall be guilty of a felony, and upon conviction thereof, shall be punished by a fine of not more than \$5,000, or by imprisonment in the penitentiary for not more than 5 years, or by both such fine and imprisonment, at the discretion of the court.

SEC. 7. If any person or persons mentioned in Sec. 6 of this act, with intent to induce the purchase of any of the securities mentioned in Sec. 6 of this act, or of any real estate situate outside of this State, shall knowingly or recklessly make any

false statement, either oral or written, or knowingly or recklessly conceal any fact materially affecting the value of any such securities, or of such real estate, he or they shall be guilty of a felony, and upon conviction thereof shall be punished by a fine of not more than \$1,000, or by imprisonment in the penitentiary or county jail for not more than 12 months, or by both fine and imprisonment, at the discretion of the court, and shall be liable in damages to any party who has been occasioned loss thereby.

SEC. 8. Any person, whether as principal or agent, who shall knowingly make or file, or cause to be made or filed, any statement, circular, prospectus or other advertising matter required by this act, which is materially false, shall be guilty of a felony and subject to punishment as provided in Sec. 6 hereof.

SEC. 9. Upon request of the auditor, the attorney general or the prosecuting attorney having jurisdiction shall direct and control any prosecution for violation of this act.

SEC. 10. No person or persons mentioned in Sec. 6 of this act and operating within the scope of Secs. 1 and 2 of this act, shall make any amendments to his or their charter, articles of incorporation, constitution, or by-laws, or any other change materially affecting any statement or representation made in his or their statement filed under Sec. 1 hereof, unless he or they first prepare and file with the auditor of the state, a duly verified supplemental statement, setting forth clearly and concisely all material facts in connection with the change, which said supplemental statement shall be subject in all respects to the provisions of Sec. 1 hereof in like manner as the original

SEC. 11. Any person or persons mentioned in Sec. 6 of this act, and operating within the scope of Secs. 1 and 2 of this act, may appoint one or more agents, but no agent

shall act, or attempt to act for or in behalf of his principal, until he shall have first registered with the auditor as such agent, and for each registration, such person or persons shall pay to said auditor a registration fee of \$2. Such registration shall authorize the agent to represent such person or persons so registering him until the first day of July following, unless the registration is theretofore cancelled and recalled by such person or persons, or by the auditor, for failure to comply with the provisions of this act, authority for which revocation or cancellation is hereby given to such person or persons and to said auditor.

SEC. 12. Every person or persons mentioned in Sec. 6 of this act, and operating within the scope of Secs. 1 and 2 of this act, shall file at the close of business on June 30th of each year, and at such other times as may be required by the auditor, a sworn statement in such forms as may be prescribed and furnished by the auditor, setting forth his or their financial condition, the amount of assets and liabilities, and such other information as the auditor may require. Every regular statement of June 30th shall be accompanied by a filing fee of \$2, and if such person or persons fail, neglect or refuse to file his or their regular statement within 15 days from said date, or to file any other special report herein provided for within 30 days from receipt of request therefor, then the right of such person or persons to transact business in this State shall be deemed to be in abeyance during the continuance of such delinquency.

SEC. 13. The auditor shall have general supervision and control over any person or persons mentioned in Sec. 6 of this act, residing or doing business in this State, engaged in securing subscriptions for, or in the issuance, transfer, sale, promotion, negotiation or distribution of any specu-

lative securities, and every such person or persons shall be subject to examination by said auditor, or by his duly authorized deputies, at any time he may deem it advisable. The rights, powers and privileges of the auditor in making such examinations shall be the same as now provided with reference to the examination of insurance companies by the Ins. Com., and such person or persons shall pay the expense of such examination, and their failure or refusal to pay upon the demand of the auditor shall work a forfeiture of their right to do business in the State.

SEC. 14. Any person or persons mentioned in Sec. 6 of this act shall keep proper records and books of accounts in a business like and intelligent manner, which shall be open to the inspection of stockholders and investors in their stocks or securities.

SEC. 15. Whenever it shall appear to the auditor that any person or persons who have complied with the provisions of this act are insolvent, or are conducting their business in such manner as to jeopardize the interests of creditors or investors, or whenever they shall fail, neglect or refuse to file any circulars, papers, statements, prospectuses, documents or other advertising matter or reports, or to pay any of the fees required or provided for by this act, without satisfactory reason therefor, the auditor may report the facts to the attorney general, or to the prosecuting attorney having jurisdiction, who shall at once make an investigation of the case and institute such proceedings in law or in equity in the name of the state, in any circuit court having jurisdiction as may be appropriate to enforce the provisions of this act, and to protect the interests of stock and bond holders and other creditors and investors. The jurisdiction of the circuit court shall extend to the enforcement of any proper remedy now existing for the protection of any creditor, stockholder,

bondholder, or other person beneficially interested, and the suit, action or proceeding may be brought in any county in which any one or more of the parties reside, or in Kanawha county.

SEC. 16. Should the courts of this State declare any Sec. or provision of this act, unconstitutional or unauthorized, or in conflict with any other Secs. or provisions of this act, then such decision shall affect only the Sec. or provision so declared to be unconstitutional or unauthorized, and shall not affect any other Sec. or part of this act.

SEC. 17. All Corps., Cos., Assocs., partnerships and individuals now holding the statement or license of the auditor, under Chap. 15, acts 1913, shall be deemed to have complied with the provisions of this act.

SEC. 18. All expenses and fees herein provided for shall be collected by the said auditor and shall be accounted for and turned into the state treasury, and the amount of the expenses and fees so turned into the state treasury are hereby re-appropriated to the said auditor for the purpose and in an amount sufficient to pay the cost and expense of carrying this act into effect; and the said auditor is hereby authorized to appoint an additional clerk, if the same shall be found by him to be actually and absolutely necessary to carry this act into full force and effect. All money actually and necessarily paid out, or expenses incurred by the said auditor or any clerk under his direction, under this act, shall be paid by the state treasurer out of such sums for expenses and fees received under this act, upon the state auditor's warrants, to be issued upon vouchers containing an itemized account of the salaries or expenses for which the same are issued.

All expenses and fees which have been collected by the auditor under the provi-

sions of Chap. 15 of the acts of 1913, and now remaining in the state treasury, are hereby appropriated to the said auditor for the purposes of this act.

SEC. 19. "Person or persons" as used in this act, shall include any person, co-partnership, Assoc., domestic corps. or foreign corporation.

SEC. 20. Any person or persons, violating any of the provisions of the preceding secs. of this act, for which no specific penalty is provided, shall be fined not more than \$500., or imprisoned in the county jail for not more than 30 days, or both at the discretion of the court.

SEC. 21. Chap. 15 of the acts of 1913 and all acts and parts of acts in conflict herewith are hereby repealed.





## WISCONSIN.

## Laws of 1919, Chapter 674.

SEC. 1. Sections 1753—48 to 1753—53, inclusive, of the statutes are repealed.

SEC. 2. 21 new sections are added to the statutes to read: Sec. 1753—48. As used in Secs. 1753—48 to 1753—68, inclusive, the following words shall be understood in the sense herein set forth and defined.

(a) "Commission" means the railroad commission of Wisconsin;

(b) "Company" means and includes all domestic and foreign private Corps., Assocs., joint stock Cos., partnerships, trusts, common law Cos. or any other form or organization organized, or proposed to be organized, or which shall hereafter be organized, whether incorporated or unincorporated, which directly or indirectly in this state is engaged in selling or offering for sale stock, bonds or other evidences of title to or interest in or lien upon any or all of its property or profits; or whose stocks, bonds or other securities are offered for sale in this state;

(c) "Security" or "securities" means and includes any bonds, stocks, notes or other obligations or evidences of indebtedness or of title which constitutes evidence of, or is secured by, title to, interest in or lien upon any or all of the property or profits of such company;

(d) "Broker" means and includes every person, firm or Corp., other than an agent, who in this state engages either wholly or in part in the business of selling, offering for sale, negotiating for the sale of, or otherwise dealing in any security or securities issued by others, or of underwriting any issue of securities, or of purchasing or otherwise acquiring such securities for another for compensation or of pur-

chasing or otherwise acquiring such securities with the purpose of reselling them, or of offering them for sale to the public for a Com. or at a profit;

(e) "Agent" means and includes every person employed or appointed by a Co. or a broker, directly or indirectly, who in this state either as an employe or otherwise, for a compensation or as a participant in any compensation, sells, offers for sale, negotiates for the sale of, or takes subscriptions for any security for the sale of which a permit has been issued under the provisions of Secs. 1753—50 to 1753—53, inclusive.

(f) "Sale" means and includes every disposition of a security which may be made for value, and any securities given or delivered with, or as a bonus on account of any purchase of securities or any other thing shall be conclusively presumed to constitute a part of the subject of such purchase and to have been sold for value.

SEC. 1753—49. 1. The provisions of Secs. 1753—48 to 1753—68, inclusive, shall not apply to:

(a) Securities of the U. S. or any foreign government, or of any state or territory thereof, or of any county, city, township, village, district, or other political or taxing subdivision of any state or territory of the U. S. or any foreign government;

(b) Commercial paper or evidence of debt maturing not more than 2 years from the date thereof;

(c) Securities of Corps. operating R.R.'s or public utilities, the issue of whose securities is regulated by the Com., or by a R.R. or public service Com., board or similar body of any state or territory of the U. S., or securities senior thereto;

(d) Securities listed upon the New York, Boston or Chicago stock exchange pursuant to official authorization by such exchange, and securities senior to any securities so listed;

(e) Securities issued by or sold by or to any bank, Tr. Co. or building and loan Assoc. organized under the laws of this state or issued by or sold by or to any Nat. bank or other Corps. organized and existing by virtue of the acts of Congress of the U. S.;

(f) The securities of any Corp. organized under the laws of this state without capital stock or exclusively for educational, fraternal, benevolent, charitable, or reformatory purposes;

(g) To the sale of notes secured by Mtgs. upon real or personal property where the entire Mtg. is sold and transferred with the note;

(h) Securities of any Corp. organized under the laws of this state whose authorized capital stock added to its other outstanding securities shall not exceed \$25,000;

(i) The distribution by a Corp. of increased capital stock distributed by the Corp. to its stockholders as a stock dividend paid out of surplus;

(j) The sale of any securities by the owner thereof for the owner's account, exclusively, such sale not being made in the course of continued or repeated transactions of a similar nature by the owner thereof and such owner not being the underwriter of such securities;

(k) To any judicial, executor's, administrator's or guardian's sale or to any sale by a receiver or trustee in insolvency or bankruptcy;

(l) To the sale by a pledge holder selling in good faith and not for the purpose of avoiding the provisions of this act and in the ordinary course of business a security pledged with him as security for a bona fide debt;

(m) To the sale by a Co. of its stock for a delinquent assessment made in accordance with the provisions of law.

(n) Securities issued by co-operative associations organized under the provisions

of Secs. 1786e—1 to 1786e—17, inclusive, where such co-operative associations are organized for the purpose of conducting any agricultural, dairy, mercantile, manufacturing or mechanical business on the co-operative plan;

(o) The original sale of its securities by any Wisconsin Corp., the organization expenses of which including commissions on the sale of such securities do not exceed \$2,000.

2. All securities not mentioned or described in Subsec. 1 of this Sec. are divided into 2 classes, as follows:

(a) Securities based on established values or income, which shall be known as securities in class A. Securities in class A shall comprise the following:

Securities issued by a person, Corp., firm, trust, partnership or Assoc. owning a property, business or industry, which property, business or industry has been in continuous operation not less than 2 years and which has shown net profits for the 2 fiscal years immediately preceding the application for a permit, exclusive of all prior charges, as follows:

(1) In the case of interest bearing securities not less than  $1\frac{1}{2}$  times the annual interest charge upon all such and other outstanding interest bearing obligations;

(2) In the case of preferred stock not less than  $1\frac{1}{2}$  times the annual dividend on all such and other outstanding preferred stock;

(3) In the case of common stock not less than 3% per annum upon all such and other outstanding common stock. In the case of stock having no par value, such percentage shall be computed at its proposed sale value or price;

(4) Notes or bonds secured by Mtg. on real estate or leasehold where the total amount of such securities together with prior encumbrances does not exceed 60%

of the fair market value of such mortgaged property.

(b) Securities based on prospective income which shall be known as securities in class B. All securities not included in Subsec. 1 or in paragraph (a) of Subsec. 2 of this Sec. shall be known as securities in class B.

SEC. 1753—50. 1. No Co. directly or through an agent or broker shall in this state sell or offer for sale, negotiate for the sale of, take subscriptions for, or exchange for property any security of its own issue until it shall first have applied for and secured from the Com. a permit authorizing it so to do; and no broker shall in this state sell, offer for sale, negotiate for the sale of, take subscriptions for or exchange for property any security for the sale of which a permit has not theretofore been issued, until such broker shall have first applied for and secured from the Co. a permit authorizing the sale of such security.

2. The application to secure such permit shall be in writing and shall be verified and filed in the office of the Com. Such application shall state all of the facts required by paragraph (a) of this Sec. and such other facts, including facts referred to in paragraph (b), as the Com. may require.

(a) The names and addresses of the officers of the Co. and the location of its office; an income account if the Co. shall have been in operation prior to the making of the application, a statement of the Co.'s assets and liabilities, together with an explanation of each item, and a detailed statement of the plan upon which the Co. proposes to transact business.

(b) A copy of any security the Co. proposes to issue and of any contract it proposes to make concerning the issuance of its securities and of any prospectus, pamphlet or advertising matter proposed to be used in connection with the sale of the

Co.'s securities and such additional information concerning the Co. or its promoters as the Com. may require; an inventory to be accompanied by an appraisal made by a qualified person or persons showing the value of the assets described in such inventory, the person or persons making such appraisal to state in such appraisal the character and nature of their experience and qualifications to value such property and all other facts and considerations on the basis of which their estimate of value is predicated, such appraisal to be verified by the oath of the person or persons making the same, the amount and nature of the purchase price of securities issued for any patent right, copyright, trademark, process or good will, or for promotion fees or expenses or for other intangible assets.

3. If the Co. is a partnership or an unincorporated Assoc., trust or joint stock Co. there shall be filed with the application a copy of its articles of partnership or Assoc. or any other papers pertaining to its organization which may be required by the Com. If the Co. is a trustee, there shall be filed with the application a copy of all instruments by which the trust is created and in which it is accepted, acknowledged or declared. If the applicant being a Co. is a Corp. or Assoc. organized under the laws of any other state, territory or government, it shall file with its application a certificate executed by the proper officer of such state, territory or government not more than 30 days before the filing of such application, showing that such applicant is authorized to transact business in such state, territory or government and also a certificate of the Sec. of state of the state of Wis. to the effect that such foreign Corp. has complied with the provisions of Sec. 1770b, or if not a Corp., its written instrument in such form as the Com. may require irrevocably ap-

pointing the Sec. or Asst. Sec. of the Com., and his successor in office, its true and lawful attorney upon whom all processes in any action or proceeding against it may be served.

SEC. 1753—51. 1. Upon the filing of such application, the Com. shall examine the same and the other papers and documents filed therewith and it may, if deemed advisable, make or have made a detailed examination, inspection, audit or investigation of the affairs of the Co. issuing the security for the sale of which a permit is sought, the expense thereof to be borne by the applicant. If it appears to the Com. that the proposed plan of business of the Co. issuing the securities is not unlawful, unfair, unjust or inequitable and that the Co. intends to fairly and honestly transact its business and that the securities which it is proposed to issue or sell, and the methods to be used in the issuing or sale of such securities, and the amount of Commissions to be paid on such issue or sale are not such as in the opinion of the Com. will work a fraud upon the purchaser thereof, the Com. upon payment of the fee as hereinafter provided and of any examination or inspection fees incurred, shall issue a written permit in such form as may be prescribed by the Com. authorizing the sale of such securities as therein provided in such amounts and for such considerations and upon such terms and conditions as the Com. may in said permit provide. Otherwise the Com. shall deny the application and refuse such permit and notify the applicant in writing of its decision.

2. Every such permit shall recite in bold type that the issuance thereof is permissive only and does not constitute a recommendation or endorsement of the security permitted to be sold and that neither the state of Wis. nor any officer of the state assumes any responsibility in connection with the sale of any such securities.

3. The Com. may impose such conditions as may be deemed necessary to the issuance and sale of such securities, and shall have the power to establish such rules and regulations as may be reasonable or necessary to insure the disposition of the proceeds from the sale of such securities in the manner and for the purposes provided in such permit, and may, from time to time, for cause, amend, alter, revoke or temporarily suspend the rights of the applicant under such permit.

4. In carrying out the provisions of Sec. 1753—48 to Sec. 1753—68, inclusive, the Com. may hold such public hearings at such time and place and upon such reasonable notice as the Com. may fix and may establish its rules governing the administration of the provisions of said sections.

SEC. 1753—52. 1. No person, firm or Corp. shall act as a broker until such person, firm or Corp. shall have first applied for and secured from the Com. a certificate authorizing such person, firm or Corp. to act as a broker. Every such certificate shall expire on the 31st day of Dec. next after its issuance unless sooner revoked. Such certificate shall authorize the applicant to act as broker of securities, a permit for the sale of which has been issued under the provisions of Secs. 1753—50 and 1753—51 and all such other securities as shall from time to time be authorized to be sold under the provisions of said sections. To secure such certificate the applicant shall make and file in the office of the Com. an application in writing, verified by or on behalf of the applicant, in which applicant shall set forth in addition to such other information as may be required by the Com.:

(a) The name and address of the applicant and, if it be a Corp., Assoc. or joint stock Co., the name and address of each of its managing officers and directors and,



if it be a partnership, the name and address of each of the partners;

(b) A statement of facts showing the previous business history of the applicant and of its managing officers and directors, if it be a Corp., or of its members, if it be a partnership, in such detail as may be required by the Com. and also showing the general plan and character of the business of applicant;

(c) If the applicant is a Corp. organized under the laws of any other state, territory or government, it shall file with its application a certificate executed by the proper officer of this state, showing that such applicant is authorized to transact business in state, and, if not a Corp., it shall file, in such form as the Com. may prescribe, its written instrument irrevocably appointing the Sec. or Asst. Sec. of the Com., and his successor in office its true and lawful attorney upon whom all process in any action or proceeding against it arising out of the sales or attempted sale of securities within this state may be served with the same effect as if said Assoc. were organized or created under the laws of this state.

2. Upon the filing of such application, it shall be the duty of the Com. to examine it and the other papers and documents filed therewith, and the Com. may, if deemed advisable, make or have made a detailed examination and inquiry into the business and affairs of the applicant. If, from such examination, the Com. shall be satisfied of the good business reputation of the applicant and of its officers or members, if any, and that the general business methods of the applicant are fair and equitable, upon payment of the fee as hereinafter provided, the Com. shall issue a certificate as hereinbefore provided; otherwise it shall refuse the same and deny the application and notify the applicant of its decision. The Com. may at any time revoke any broker's or agent's certificate if it be found that the

holder thereof has violated any provision of Sec. 1753—48 to 1753—68, inclusive; has been guilty of misrepresentation to the Com. in its application; has made any false statements to or has concealed any essential facts from any person in the sale of any security to such person; or has engaged, or is about to engage, in any fraudulent transactions. The Com. may at any time suspend or revoke the authority of any broker or agent to sell any specified security if it be found (1) that any provision of this act has been or is being violated in the sale thereof, or (2) that further sales of such security will, in the opinion of the Com., be unlawful, unfair, unjust, or inequitable or work a fraud upon the purchaser thereof.

3. No person shall act as an agent until there shall have been issued to him by the Com. a certificate authorizing him to act as an agent of some Co. or broker named therein. Every such certificate shall expire on the 31st day of Dec. after its issuance, unless sooner revoked. Such certificate shall be issued by the Com. upon the application of any Co. or broker and the payment of a fee of \$300 for each such certificate issued.

SEC. 1753—53. 1. No person, firm, copartnership, Assoc. or Corp. shall issue, circulate or publish any advertisement, pamphlet, prospectus or circular, or make any representation concerning any security in class B to be issued or sold by any company that such person, firm, copartnership, Assoc. or Corp. desires or proposes to sell, until the Com. has issued a permit authorizing the sale of such security; nor shall any Co., broker or agent or any other person issue, circulate or publish any advertisement, pamphlet, prospectus or circular, or make any representation concerning any securities in class B sold or offered for sale by it unless the name of the Co., broker, agent or person issuing, circulating

on publishing the same shall be subscribed thereto, and a true copy thereof shall have been first filed in the office of the Com.; nor shall any such Co., broker, or agent or any other person issue, circulate or publish any such advertisement, pamphlet, prospectus, or circular, after notice in writing given to it by the Com. that the same contains any statement that is false or misleading or otherwise likely to deceive the public.

2. No Co., broker or agent shall publish or cause to be published or insert or cause to be inserted any notice or advertisement in any newspaper or other publication of general circulation in this state offering for sale any securities in class B, a permit for the sale of which is required by Secs. 1753-48 to 1753-66, inclusive, without furnishing the publisher of such newspaper or other publication at the time of submitting the copy of such advertisement a certificate showing that the original copy of such advertisement or notice is on file in the office of the Com. Every such notice or advertisement shall include in bold faced type the statement: "Securities in class B under the Wis. securities law. These are speculative securities."

SEC. 1753-54. Every Co. and every broker authorized by the Com. to sell securities shall thereafter, at such times as may be required by the Com., make and file in the office of the Com. a report setting forth in such form as may be prescribed, the securities sold by it under the authority of any permit issued by the Com. and such other information concerning the business, property or affairs of such Co. or broker as the Com. may require, and no Co. shall transact, or offer to transact, any business within the state after there shall take effect any change in its articles of organization, by-laws, plan of doing business, or any change in the form of its

applications or other contracts before information concerning the same shall have been filed with the Com. and its approval of such changes or modifications been granted.

SEC. 1753—55. 1. No person, for the purpose of organizing or promoting any Co., or promoting the sale of securities of any Co. by it after organization, as principal or broker or agent, shall sell or agree or attempt to sell within this state any securities in such Co. unless the contract of subscription or of sale shall be in writing and a copy thereof be delivered to the purchaser and contain a provision in the following language:

(a) "No sum shall be used for Com., promotion and organization expenses on account for any share of stock or any bond or other security in this Co. in excess of ..... (insert percentage) per cent of the amount actually paid up on separate subscriptions for such securities, and the remainder of such payments shall be held or invested as authorized by the law governing such company and held by the organizers (or trustees as the case may be), and the directors and officers of such Co. after organization as bailees for the subscriber, to be used only in the conduct of the business for which such Co. is organized. THE PERMIT OF THE R. R. COM. OF WIS. FOR THE SALE OF SECURITIES UNDER SEC. 1753—48 TO SEC. 1753—68, INC., IS PERMISSIVE ONLY AND DOES NOT CONSTITUTE A RECOMMENDATION OR ENDORSEMENT OF SUCH SECURITY BY THE R. R. COM. OF WIS. DETAILED INFORMATION RELATING TO THESE SECURITIES IS ON FILE WITH THE R. R. COM. OF WIS AND AVAILABLE TO ANY ONE DESIRING ACCESS THERETO." If the security is included within class B there shall also be contained in said contract of sub-

scription or sale in bold-faced type the additional statement: "THESE ARE SPECULATIVE SECURITIES."

2. Funds and securities held by such organizers, trustees, directors or officers as bailees shall be deposited with a bank or Tr. Co. of this state until such Co. shall begin to conduct the business for which it is organized.

3. All findings, decisions, orders and regulations of the Com. shall be in force and shall be prima facie lawful and all rules and regulations prescribed by the Com. shall be in force and shall be prima facie reasonable until finally found otherwise in an action brought for that purpose pursuant to the provisions of Sec. 1753-56.

Sec. 1753-56. Every order, decision, permit or other official act of the Com. shall be subject to review and any party aggrieved by any such order, decision, permit or official act may appeal therefrom to the circuit court of Dane county, in the manner and subject to the limitations prescribed by Secs. 1797-16 to 1797-17, inclusive, except that the provisions of paragraphs (b) and (c) of Sec. 1797-16 shall not apply to such appeal.

Sec. 1753-57. The sale of every security issued by any Co. without a permit of the Com. authorizing the same, in effect, shall be void, and the sale of every security issued by any Co. with the authorization of the Com., but not in conformity with the provisions, if any, which are required by the Com., shall be void.

Sec. 1753-58. 1. Any Co. which shall directly or indirectly, sell or offer for sale or cause to be sold or offered for sale any security contrary to the provisions of Secs. 1753-48 to 1753-68, inc., or in non-conformity with its representations made to the Com. in securing its permit, or contrary to any order of the Com., or which applies the proceeds from the sale of such securities or any part thereof to any pur-

pose other than the purpose or purposes specified in procuring its permit from the Com., or applies any greater or different amount than that specified to the payment of Com., shall be punishable by a fine not exceeding \$10,000.

2. Every officer, agent or employe of any Co., and any broker, and every other person who knowingly authorizes, directs or aids in the issue or sale of, or issues or executes or sells, or causes or assists in causing to be issued, executed or sold, any security in non-conformity with a permit of the Com. then in effect authorizing such issue, or contrary to the provisions of Sec. 1753—48 to 1753—68, inc., or to any order of the Com., or who, in any application to the Com., or in any proceeding before it, or in any examination, audit or investigation made by it or on its authority, knowingly makes any false statement or representation or who, with knowledge of its falsity, files or causes to be filed in the office of the Com. any false statement or representation concerning such broker or Co. or the property which it then holds or proposes to acquire or concerning its officers or its financial condition or other affairs, or concerning its proposed plan of business, or who, with knowledge of the falsity of any such statement or representation, issues, executes or sells, or causes to be issued, executed or sold, any security of the Co. concerning which the false statement was made to the Com., or who directly or indirectly, knowingly applies, or causes or assists in causing to be applied, the proceeds or any part thereof from the sale of any security to any purpose contrary to the directions of the Com. or to any purpose specified in excess of the amount limited in its permit to be used for such purposes, or who, with knowledge that any security has been issued or executed in violation of any of the provisions of Secs. 1753—48 to 1753—68, inc., sells or

offers the same for sale, or who, with knowledge that any advertisement, pamphlet, prospectus or circular concerning any security contains any statement that is false or misleading or otherwise likely to deceive a reader thereof, issues, circulates or publishes the same, or shall cause the same to be issued, circulated or published, or who, in any other respect, wilfully violates or fails to comply with any of the provisions of Secs. 1753—48 to 1753—68, inc., or who, in any other respect, wilfully violates or fails, omits or neglects to obey, observe or comply with any order, permit, decision, demand or requirement, or any part or provision thereof, of the Com. under the provisions of said Secs. shall be punished by imprisonment in the state prison not exceeding 5 years, or in a county jail not exceeding one year, or by a fine not exceeding \$5,000, or by both such fine and imprisonment.

SEC. 1753—59. Upon request of the Com. the attorney-general or the district attorney of any county shall aid in any investigations provided for, and in all trials and proceedings had under the provisions of Secs. 1753—48 to 1753—68, inc., and shall institute and prosecute any action or proceeding for the enforcement thereof.

SEC. 1753—60. In any action or proceeding commenced or prosecuted in this state against any Co. or broker which shall have appointed the Sec. or Asst. Sec. of the Com. its attorney, and in any action or proceeding commenced or prosecuted in this state, arising out of or founded upon the actual fraud of any Co. or broker which shall have appointed the Sec. or Asst. Sec. of the Com. its attorney, service of process may be made upon such Sec., who shall forthwith forward by mail, postage prepaid, to the person designated by such Co. or broker in an instrument in writing filed with the Com., at the address stated in such instrument, or, if no such

designation has been made, to the Sec. of such Co. or broker at its last known post-office address, a copy of such process; thereupon, service of such process upon such Co. or broker shall be deemed to be complete and to be personal service upon such Co. or broker, with the same effect as if said Co. or broker were organized or incorporated under the laws of this state and had been lawfully served with process therein. The certificate of the Com. under its official seal, of such service, shall be competent and sufficient proof thereof.

SEC. 1753—61. 1. The Com. shall charge and collect from each broker filing the statement required by Sec. 1753—52 the sum of \$25 as a filing fee, which shall be returned to the applicant if his application is denied.

2. The Com. shall charge and collect from each applicant filing the statements required by Secs. 1753—50 and 1753—51 a filing fee of \$10 plus the sum of \$1 per thousand for each thousand dollars par value of securities permitted to be offered for sale in the state of Wis. by such applicant.

3. If any such securities shall have no par value, the price at which such applicant proposes to issue or sell the same shall be deemed the par value for the purpose of computing the fee to be paid by such applicant.

SEC. 1753—62. 1. All fees charged and collected under the provisions of Secs. 1753—48 to 1753—68, inc., and all sums collected from companies or brokers to cover the cost of examination or inspections, shall be paid, accompanied by a detailed statement thereof into the treasury of the state to the credit of the fund to be known as the "Securities Regulation Fund," which fund is hereby created.

2. All moneys which shall be paid into the state treasury and credited to the "Securities Regulation Fund" are hereby appropriated to be used by the Com. in



carrying out the provisions of Secs. 1753—48 to 1753—68, inc.; and the Sec. of state shall draw his warrant on said fund from time to time in favor of the Com. for the amounts expended under its direction, and the treasurer shall pay the same. The Com. may, with the consent of the state treasurer, withdraw from said fund a sum not exceeding \$1,000, to be used as revolving fund where cash advances are necessary. The Com. shall account for the sum withdrawn from said revolving fund at any time upon demand of the state treasurer.

SEC. 1753—63. 1. The Com. may execute in duplicate any order, finding, certificate, or permit issued by it, and each of such parts shall be deemed to be an original. An original of every such order, finding, certificate or permit shall be retained and preserved by it in its office. Copies of all documents, orders, and permits made, executed, or issued by the Com., and of all papers filed in its office, when certified by the Sec. of the Com. under its official seal, shall be received in evidence in all cases in like manner and with the same effect as the originals.

2. Every official report made by the Com. and every report, duly certified, made to it by any deputy, clerk, or other person employed by it, of any examination, audit, or investigation made by him or under his direction, and copies of such reports, certified by the Sec. of the Com., shall be prima facie evidence of the fact therein stated for all purpose in any action or proceeding wherein any Co., broker, agent or the Com. is a party.

SEC. 1753—64. Neither Secs. 1753—48 to 1753—68, inc., nor any provision thereof shall be deemed to prohibit subscriptions for shares of a Corp. made prior to the incorporation thereof, but such subscription shall be deemed to have been made and accepted upon the conditions that such Corp., when incorporated, shall with rea-

sonable diligence apply for and secure from the Com. a permit authorizing the sale of the shares so subscribed for, in accordance with such subscriptions. The incorporators named or to be named in the Arts. of Incorporp. may, in the name of and on behalf of the Corp., present an application to the Com. as provided in Secs. 1753—48 to 1753—68, inclusive.

SEC. 1753—65. Annually on or before the first day of Dec., the Com. shall prepare and file in the office of the governor a report containing an accurate review of the work of the Com. in the administration of Secs. 1753—48 to 1753—68, inc., for the fiscal year ending June 30th preceding the date of such report, and which shall contain a schedule of all applications for permits to sell securities in the state, a schedule of the permits granted, a schedule of the applications rejected, and of any permits cancelled or revoked, and a statement of the receipts and disbursements of the Com., and such other material information as relates to the work of the office.

SEC. 1753—66. The Com. may from time to time issue in pamphlet form or by newspaper advertising or otherwise, information regarding offerings it considers fraudulent offered by persons or parties within or without the jurisdiction of this state for sale to parties within the state by mail, advertisement, in person or otherwise.

SEC. 1753—67. No Co., broker or agent, or any other person shall in any form make or publish any representation, statement or advertisement that any securities of any Co. subject to the provisions of Secs. 1753—48 to 1753—68, inc., are or have been in any manner approved or endorsed by the R. R. Com.

SEC. 1753—68. Neither Secs. 1753—48 to 1753—68, inc., nor any provision hereof shall apply to or be construed as a regulation of commerce with foreign nations or among the several states, except in so far

as the same may be permitted under the provisions of the constitution and the acts of the Congress of the U. S.

SEC. 3. This act shall take effect August 1, 1919.



## WYOMING.

## Session Laws 1919, Chapter 118.

SECTION 1. The term "securities" as used in this act shall be taken to mean stock C't'f's, shares, bonds, debentures, C't'f's of participation, contracts, or other instruments in the nature thereof by whatsoever name known or called. The term "speculative securities" as used in this act shall be taken to mean and include:

1. All securities to promote or induce the sale of which profit, gain or advantage unusual in the ordinary course of legitimate business is in any way advertised or promised;

2. All securities for promoting the sale of which a Com. of more than 5% is offered or paid;

3. All securities into the specified par value of which the element of chance or hazard of speculative profit or possible loss equal or predominate over the elements of reasonable certainty, safety and investment;

4. All securities the value of which materially depends on proposed or promised future promotion or development rather than on present tangible assets and conditions;

5. The securities of any enterprise, Asso., partnership or Corp. which has included or proposes to include in its assets as a material part thereof, patents, formulae, good will, promotion or intangible assets, or which has issued or proposes to issue a material part of its securities in payment for patents, formulae, good will, promotion or intangible assets. The term "speculative enterprise" as used in this act shall be taken to mean any business, undertaking, project, venture or activity for the promotion or furtherance of which "speculative

securities" as herein defined, are made, issued, sold or offered for sale.

SEC. 2. It shall be hereafter unlawful for any person, co-partnership, Asso. or Corp., hereinafter called the promoter, either as principal or through brokers or agents, or as brokers or agents, to sell or offer for sale, or by means of any advertisements, circulars or prospectus, or by any other form of public offering, to attempt to promote the sale of any speculative securities in this State, unless there shall first have been filed with the State Examiner and with the county clerk of each county in which such speculative securities shall be sold or offered for sale:

1. A copy of the securities so to be promoted;

2. A statement in substantial detail of the assets and liabilities of the person or Co. making and issuing such securities and of any person or Co. guaranteeing the same, including specifically the total amount of such securities and of any securities prior thereto in Int. or lien, authorized or issued by any such person or Co.;

3. If such securities are secured by Mtg. or other lien, a copy of such Mtg. or of the instrument creating such lien, and a competent appraisal or valuation of the property covered thereby, with a specific statement of all prior liens thereon, if any;

4. A full statement of facts showing the gross and net earnings, actual or estimated, of any Co. making and issuing or guaranteeing such securities, or of any property covered by any such Mtg. or lien;

5. All knowledge or information in the possession of such promoter relative to the character or value of such securities, or of the property or earning power of the person or Co. making and issuing or guaranteeing the same;

6. A copy of any general or public prospectus or advertising matter which is to be used in connection with such promotion,

and no such prospectus or advertising matter shall be used unless the same has been filed hereunder;

7. The names, addresses and selling territory in this State of any agents by or through whom any such securities are to be sold, and no such agents shall be employed unless such statements with respect to them have been filed hereunder;

8. The name and address of such promoter, including the names and addresses of all partners, if the promoter be a partnership, and the names and addresses of the directors or trustees, and of any person owning 10% or more of the capital stock, if the promoter be a Corp. or Asso.;

9. A statement showing in detail the plan on which the business or enterprise is to be conducted;

10. The articles of co-partnership or Asso., and all other papers pertaining to its organization, if the securities be made and issued by a co-partnership or unincorporated Asso.;

11. A copy of its charter or articles of incorporation if the securities be made and issued by a Corp.;

12. A filing fee of \$25 to be deposited with the State Examiner only.

SEC. 3. Every foreign Corp. before selling or offering for sale any speculative securities in this State shall also file its written consent, irrevocable, that actions may be commenced against it in the proper courts of any Co. or district in this State in which a cause of action may arise, by the service of process on the Sec. of State, or on the Co. clerk of the Co. in which the action shall be brought, and stipulating and agreeing that such service of process shall be taken and held in all courts to be as valid and binding as if due service had been made on the Co. itself, according to the laws of this or any other State, and such instrument shall be authenticated by the seal of such foreign Corp., and shall

be accompanied by a duly certified copy of the order or resolution of the board of directors, trustees or managers of the Corp. authorizing the said Sec. and Pres. to execute the same.

SEC. 4. It shall be the duty of the State Examiner as soon as practical, to examine the statement and documents so filed, and if he shall deem it advisable, he shall make or have made a detailed inspection, examination, audit and investigation of the affairs of the makers or guarantors of such securities. As a part of the aforesaid inspection, examination, audit and investigation, he may cause an appraisal to be made of the property of the maker or guarantor, if, from the statements, papers and documents on file, and the investigation of the State Examiner, or otherwise, the State Examiner shall find that the promoters' literature or advertising is misleading and calculated to deceive purchasers or investors, or that any of the statements, papers and documents on file are inaccurate or contain any untrue statements of fact, he shall make a written statement of such findings, copies of which shall be filed in the office of the Co. clerk in each Co. in which are filed the documents required to be filed by Sec. 2 hereof, and he shall immediately cause a copy thereof to be sent to the promoter and to all selling agents designated in the statement on file hereunder. If the State Examiner shall find that the promoters' literature is not misleading or calculated to deceive purchaser or visitors, he shall issue a permit for the sale of such securities. Such permit shall state that an examination has been made as required by law, and that permission to sell such securities is granted and must also state in bold type that the issuance of said permit is not a recommendation or endorsement of the securities mentioned thereon. Every promoter offering for sale any securities in this State must produce



and show to the prospective purchaser such permit from the State Examiner.

SEC. 5. Any person, copartnership, Asso. or Corp. being dissatisfied with any finding or findings of the State Examiner made in accordance with the provisions of this Act, may within 30 days from the making thereof commence an action in any court of competent jurisdiction within the State against such State Examiner as defendant, to vacate and set aside said finding or findings on the ground that the same are unjust and unreasonable. The rules of pleading and procedure in such action shall be the same as are provided by law for the trial of equitable actions in the district courts of this State, and on the hearing the judge of said court may set aside, modify or confirm said finding or findings as the evidence may require. Appeals may be taken from the decision of the District Court to the Supreme Court by either party in the same manner as is provided by law in other civil actions. If no action shall be brought to set aside said findings within 30 days, the same shall become final and binding, and it shall be unlawful for the promoter or any broker or agent of said promoter to sell, offer for sale, or by means of any advertisement, circular or prospectus or by any other form of public offering to attempt to promote the sale of any such speculative securities in this State.

SEC. 6. No amendment of the charter, articles of incorporation, constitution or by-laws of any such Corp., or the articles of Asso. or by-laws of any unincorporated Asso. subject to this Act, shall become operative until a copy of the same has been filed with the State Examiner and Co. clerks as provided in regard to the original filing of charters, articles of incorporation or Asso., constitution and by-laws, and it shall be unlawful for any person, copartnership, Asso. or Corp. to trans-

act business on any other plan than that set forth in the statement required to be filed by Sec. 2 of this Act, or to make, issue or sell or offer for sale any speculative security or securities required to be filed by Sec. 2 of this Act, until a written statement showing in full detail the proposed new plan of transacting business and a copy of the proposed new security or securities shall have been filed in like manner as provided in regard to the original plan of business and proposed security or securities.

SEC. 7. The provisions of this Act shall not apply to

a. Securities of the U. S. or any foreign Gov., or of any state or territory, or of any county, city, township, district or other public taxing Subdiv. of any State or territory of the U. S. or any foreign Gov. ;

b. Securities of public or quasi-public Corps., the issues of which are regulated by the public utilities commission or board of similar authority of any State or territory of the U. S. ;

c. Securities of State or Nat. banks or Tr. Co.'s, Mtg. Co.'s dealing exclusively in bona fide Mtgs. on farm and city real estate, or Bldg. and loan Asso. authorized to do business in the state ;

d. Securities of domestic Corp. organised without capital stock, for religious, charitable or reformatory purposes.

SEC. 8. The general accounts of every person, co-partnership, Asso. or Corp., issuing or guaranteeing any speculative securities subject to the provisions of this act, shall be kept in a business-like and intelligent manner and in sufficient detail so that the State Examiner or his authorized representative can ascertain at any time the financial condition of such person, co-partnership, Asso. or Corp., and the books of account and affairs of any such person, co-partnership, Asso. or Corp. shall be subject to examination by the said State Examiner.

or upon his direction by his assistants, accountants or examiners, at any time said State Examiner shall deem it advisable, and in the same manner as is now provided for the examination of state banks. And it is provided further, that every person, co-partnership, Asso. or Corp. making or guaranteeing any speculative securities subject to the provisions of this act, shall file with the State Examiner and Co. clerks at the close of business Dec. 31st, March 31st, June 30th, and Sept. 30th of each year, and at such other times as may be required by the State Examiner, a statement certified by the oath of some person having actual knowledge of the facts therein stated, setting forth, in such form as may be prescribed by the State Examiner, the financial condition, amount of property and liabilities of such person, co-partnership, Asso. or Corp. and such other information as said State Examiner may require. It shall be unlawful for any person, partnership, Asso. or Corp. subject to the provisions of this act, failing or refusing to comply with the provisions of this Sec. within 10 days after compliance is required, to thereafter sell or offer for sale in this state any speculative stock which said person, partnership, Asso. or Corp. is selling or offering for sale in this state.

SEC. 9. The State Examiner shall have power upon reasonable notice either upon his own initiative or upon complaint of any responsible person, to make or cause to be made any special inspection or investigation that he may deem necessary, in connection with the promotion, sale, disposal, or offering for sale or disposal in this state, of any C't'f's, shares, stocks, bonds, securities, contracts, or contracts or bonds for deeds, to determine whether the same constitute a violation of this act or any other statute of this state, by any individual, co-partnership, Corp. or Asso., promoting, offering,

selling or pledging the same; and the State Examiner shall have the power to issue subpoenas and process compelling the attendance of any person and the production of any papers or books for the purposes of such investigation and examination, and shall have power to administer an oath to any person whose testimony may be required on such examination or investigation; and any person who shall refuse to obey any such subpoena or make answer to any competent and material question propounded to him by the State Examiner shall upon conviction in any court of competent jurisdiction be deemed guilty of a misdemeanor, and fined in any sum not exceeding \$500 or be punished by confinement in the county jail for not more than 90 days, or by both such fine and imprisonment. Upon the conclusion of any such investigation, the State Examiner may make findings of fact touching the matter or matters under investigation and such findings shall be prima facie evidence of the truth of the matters therein found by the State Examiner in any action, either civil or criminal, instituted under any of the laws or statutes of this state against the person, persons, partnership, Corp. or Asso. The notice herein provided for may be given by registered letter mailed to the last known address of person or persons or Corp. to be investigated and the State Examiner's C't'f shall be sufficient evidence of such notice and the mailing thereof.

SEC. 10. Any person who shall knowingly make or file or cause to be made or filed with the State Examiner any statement, document, circular, advertisement or prospectus, required to be filed by this act, which is false in any material respect or matter, or who shall commit in this state any act declared to be unlawful by Secs. 2, 5, 6 and 8 of this act, shall be deemed guilty of a felony, and on conviction in

any court of competent jurisdiction punished by a fine of not less than \$100 or more than \$5,000, or by imprisonment in the state penitentiary for not less than 1 nor more than 5 years, or by both such fine and imprisonment.

SEC. 11. This act shall not apply to the owner of any speculative security, who is not the maker or issuer thereof, who shall acquire and sell the same for his own account in the usual and ordinary course of business and not for the direct or indirect promotion of any enterprise or scheme within the purview of this act, providing that such ownership is in good faith. Repeated or successive sales of any such speculative security or securities shall be prima facie evidence that the claim of ownership is not bona fide, but is a mere shift or device to evade the provisions of this act.

SEC. 12. All fees herein provided for shall be collected by the State Examiner and shall be turned into the state treasury, and the State Examiner is hereby authorized to appoint a special assistant who shall have charge of the administration of this act under the direction of the said State Examiner, and who shall receive a salary of \$2,000 per annum.

SEC. 13. In any case wherein the value of the securities or contracts hereinbefore enumerated are in any way dependent upon the present or proposed development of land or mines, oil or gas wells, the State Examiner may cause such investigation thereof as he may desire to be made by experts from the appropriate departments of the state government or the state university, or both, as the case may be.

SEC. 14. Any person who shall knowingly or wilfully subscribe to, or make or cause to be made any false statements or false entry in any book of account of any person, co-partnership, Asso. or Corp., subject to the provisions of this act, or ex-

hibit any false paper with intention of deceiving any person authorized to examine into the affairs of such person, co-partnership, Asso. or Corp., or shall make or publish any false statement of the financial condition of any person, co-partnership, Asso. or Corp. subject to the provisions of this act, or shall knowingly make any false statements materially affecting the value of the stocks, bonds, or other securities offered for sale by any such person, co-partnership, Asso. or Corp., shall be deemed guilty of a felony and upon conviction thereof shall be fined not less than \$100 nor more than \$5,000, or shall be imprisoned not less than 1 year nor more than 10 years in the state penitentiary.

SEC. 15. This act shall take effect and be in force from and after its passage.